



Labour market regulation, migrant workers and varieties of “social dumping” in Oslo, Copenhagen and Reykjavik

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Labour migrants from Central and Eastern Europe in the Nordic countries

Patterns of migration, working conditions and recruitment practices





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Jon Horgen Friberg and Line Eldring (eds.)

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Preface

In two successive waves, 2004 and 2007, a total of ten Central and Eastern European countries, together with Cyprus and Malta, joined the European Union. One consequence of the enlargement was the dismantling of barriers between national labour markets with substantial differences in working- and living conditions. Following the enlargement the Nordic labour countries proved to be attractive for many job seekers from the new EU member states. According to statistics more than 600,000 workers from Central and Eastern European countries found their way to the Nordic labour markets during the period 2004–2011.

In the spring of 2009 the original suggestion for this study was put forward as part of the globalization project initiated by the Nordic Council of Ministers. The main objective of the study was to obtain a better understanding of recruitment processes of foreign labour in the Nordic countries – in order to improve these processes. One additional objective was to understand the extent and character of “social dumping” with a special focus on migrants from Eastern Europe. In the spring of 2011 the Norwegian research organization Fafo Institute for Labour and Social Research was appointed to coordinate the project which now has resulted in the present report. Contributions to the report have also come from CIRRA (MIRRA) – Center for Immigration Research Reykjavik Academy (Iceland), CMR – Centre of Migration Research, University of Warsaw (Poland), FAOS – Employment Relations Research Centre, University of Copenhagen (Denmark), SOFI – Swedish Institute for Social Research, Stockholm University (Sweden).

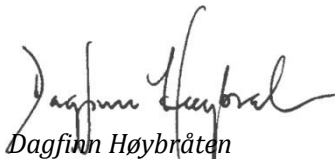
The first part of the report aims to provide explanations for patterns, directions, and composition of the emerging flows of migrant workers, especially from Central and Eastern European countries, to the five Nordic countries. The influx of labour migrants that we have seen over the last years have unquestionably benefited the economies of the Nordic countries. At the same time we also see some new challenges. It is in this context that we notice discussions in some of the host countries regarding “social dumping.” The second part of the report aims to identify key challenges policy makers face when trying to uphold labour standards and protect migrant workers from being exploited. The report’s third

and final part focuses on the question of temporary staffing and recruitment of migrant workers.

The Nordic countries face many common challenges to become attractive countries for future labour migration. Given the economic hardship in large parts of Europe we may expect that mobile workers still will look to the north for new opportunities. Although the new labour migration has been welcomed in the Nordic countries, it has also become evident that a huge influx of migrant workers can have unforeseen effects on the stability and sustainability of the Nordic labour market models and welfare states. Even if the possibilities for controlling the flows of migrants within the common European labour market are scarce, there is still a considerable room for national policies and regulations. The experience so far is that when it comes to recruitment of labour migrants and enforcement of decent working standards for all, the Nordic countries face joint challenges – and Nordic exchange of experiences and solutions have proven to be particularly useful within this area.

I look forward to follow how the conclusions from this report will be used in the future policy development in the field.

Copenhagen, December 2013



Dagfinn Høybråten

Secretary General

Nordic Council of Ministers

Introduction and summary

Jon Horgen Friberg and Line Eldring

In the wake of two consecutive eastward enlargements of the European Union in 2004 and 2007, which triggered the largest mass movements of people on the European continent since WWII, the Nordic countries have attracted considerable numbers of labour migrants from the new EU member states in Central and Eastern Europe. This has substantially changed the migratory landscape in the Nordic countries, as well as the functioning and parameters of migrant intensive labour markets. After being dominated by humanitarian flows of migrants from outside Europe, labour migration is once again a dominant feature of migration flows to all the Nordic countries, giving rise to new challenges as well as opportunities for Nordic labour markets and societies. The purpose of this report is to analyse the patterns of labour migration from Central and Eastern Europe to the Nordic countries, the factors that shape their working conditions and working environment in the different receiving country labour markets – including the extent and nature of social dumping – and in particular the role of recruitment agencies in the introduction of labour migrants to the Nordic labour market.

The analysis is separated into three parts, each using different sets of data and methodologies. The first part is based on administrative data on the overall flows of migrants to all the Nordic countries. It aims to provide some explanations for the different patterns, directions and compositions of flows. The second part is based on an in-depth comparison of wages and working conditions among Polish labour migrants in Oslo, Copenhagen and Reykjavik, using migrant survey data. By linking the analyses of wages and working conditions among migrant workers to institutional and regulatory features of the Nordic labour markets, the analysis aims to identify key challenges which policy makers face when trying to protect migrant workers from exploitative treatment and uphold labour standards in exposed markets. The final part is dedicated to

the specific issue of temporary staffing and recruitment of migrant workers, based on an analysis of the business of recruitment and temporary staffing in the different Nordic countries as well as in Poland.¹ The development of this emerging migration industry is key to understanding not just the economic and institutional dynamics of labour migration flows, but also the challenges of incorporating migrant workers into existing labour market structures of host countries. Each part of the report may be read separately and contains an introduction, specifying research questions and methodology, empirical analysis and a conclusion. In the following pages we will nevertheless provide a brief summary of the main findings and conclusions.

A changing migratory landscape

The first part of the report is the least extensive and serves as background and context for the two other parts. We show that more than 330,000 citizens from the new member states have registered moving to the Nordic countries between 2004 and 2011, but when including workers on temporary stay, the number is approximately twice as high, suggesting that well over 600,000 Central and Eastern European workers have entered the Nordic labour markets over a period of seven years. This places the Nordic region as one of the main destinations for west-bound labour migrants since the EU accession, after the British Isles. Poland and Lithuania are the main sending countries to the region, except for Finland, where Estonians rank as number one. Most of these new labour migrants have been recruited to work within a relatively narrow set of industries, including construction, manufacturing, agriculture and low skilled services. In all the Nordic countries we find a changing migratory dynamic over the years since 2004. While flows have been dominated by men – who often leave their families behind while working abroad – increasing numbers of women are arriving. Many of them come to join their male spouses already working in the Nordic countries. Although significant parts of this new mobility have been temporary and transient in nature, many settle down in the host countries, and labour

¹ The Norwegian study on recruitment and staffing agencies is partly based on data from a research program on labour migration, financed by the Norwegian Ministry of Labour.

immigrant populations in the Nordic countries are becoming increasingly settled, giving rise to new challenges relating to social integration.

While these migration trends apply to all the Nordic countries, there are considerable differences with regard to the volume, composition and direction of flows. In relative terms Iceland stands out, first by receiving far greater numbers of migrants per capita than any other Nordic country in the period up to 2008, then by a sudden drop and partial reversal of immigration flows to the country after the financial crisis which hit that year. In absolute terms, however, Norway stands out as the main destination for Central and Eastern European labour migrants among the Nordic countries throughout the period, having received an approximately equally number of new labour migrants as all the other Nordic countries combined. Several factors can explain why Norway has become the largest Nordic magnet for mobile workers. First of all, Norway has had the highest wage levels and lowest unemployment in the region throughout the last decade, suggesting that not only are the chances of finding employment better there, the rewards will also be greatest for those who do. With continuous growth and expansion in a period of economic uncertainty and crisis elsewhere in Europe (and to some extent in other Nordic countries), Norway has sustained a high demand for labour in several industries such as construction, manufacturing and services. In a context of increasing welfare throughout the population, employers have found it increasingly difficult to recruit domestic workers to fill the least desirable jobs, giving rise to extensive foreign recruitment. A labour market that in some respects stand out as being less regulated than the other Nordic countries – with lower collective agreement coverage – may also have eased the absorption of workers in the “fringes” of the regulated labour market. Initiated by these root causes, the growth and expansion of migratory networks – which lower the risk and heighten the rewards of going abroad – as well as the establishment of a “migration industry” consisting of brokers, firms and agencies who invest in the mobility and employment of workers, have constituted powerful positive feedback mechanisms, giving migration flows a self sustaining character.

Labour market challenges

Although largely welcomed as a profitable and necessary contribution to the domestic labour forces, policy makers and trade unionists have been concerned that the recruitment and arrival of so many new migrant

workers will cause “social dumping” in the receiving countries. It seems clear that if the Nordic countries are to enjoy the benefits of this addition to their labour forces and societies, it is necessary to avoid low wage competition and deteriorating labour standards, as employers are given the opportunity to recruit workers in relatively poorer countries. However, serious concerns have been voiced on whether the Nordic national labour market institutions are able to uphold labour standards, prevent segmentation and avert the spread of precarious and exploitative working conditions, as so many migrant workers from countries with radically different wages and working conditions flow freely into the labour market. This concern is also related to the long term sustainability of the Nordic welfare states, which operate in a fine tuned balance with domestic labour markets. In the second part of this report we place the issue of migrant incorporation in relation to the general debate on “social dumping”. Using institutional and survey data from Norway, Denmark and Iceland, we compare the labour market situation for the largest group of labour migrants from the new EU countries – namely Poles – in Oslo, Copenhagen and Reykjavik and analyse how labour market outcomes for Polish migrant workers are related to the institutional framework of labour market regulation in these three countries. We focus in particular on the risk of receiving very low wages on the one hand, and the risk of other types of precarious and exploitative treatment on the other.

The analysis shows that all three capital cities are faced with serious challenges regarding the institutional ability to incorporate new migrant workers into existing labour market structures and protect them from exploitative and precarious conditions. Despite varied educational and occupational background, Polish migrants are primarily recruited to perform work requiring few formal skills within a quite narrow set of industries. They are usually found low on the status ladder of domestic labour markets, earning significantly lower wages than natives, and enjoying far more precarious and in many cases exploitative working conditions. This general trend seems to be the result of segmentation into specific low wage and low status sectors combined with an overrepresentation in the use of temporary and atypical forms of employment, which provides little security. Workers within low skilled services and parts of the construction industry appear to be particularly at risk compared to those working in other parts of the labour market.

However, we find differences between the three cities, in terms of how risks and rewards are structured among the new migrant workers, as well as in how these challenges have been met. In both Oslo and Copenhagen, the labour market for Polish migrant workers is structured

into different segments, where casual employment relations, temporary staffing, transnational subcontracting and household service provision function as drivers of low wage competition and precarious working conditions. In Oslo, employees of Polish subcontractor firms are particularly vulnerable to low wage dumping, while workers with different kinds of temporary and atypical employment are the most vulnerable to exploitative treatment and bad working environment. In Copenhagen we find a similar pattern. Here however, being inside or outside the system of collective bargaining (measured by having a trade union representative at the workplace) has a much stronger bearing on outcomes than in Oslo, providing better protection for those inside while leaving those outside much more exposed to substandard conditions. The differences between Oslo and Copenhagen in terms of working conditions reflect institutional differences in how the two countries have met the challenges of increasing migration. While Norwegian policy makers and social partners have recognized the inability of existing collective institutions to cope with this new influx, and implemented a series of new statutory measures to re-regulate exposed parts of the labour market, Denmark has mostly relied on measures based on the traditional model of collective bargaining. Both strategies can claim some success, but neither appears to be “water-tight”. In Reykjavik, outcomes are structured quite differently, and few of the variables which explain wage variation in Copenhagen or Oslo have any significant effect. Instead, it seems that the relatively flexible and universal Icelandic regime has placed Polish migrants more uniformly in the bottom of the wage scale, although with far better protection against exploitative conditions. Regarding the outcome for Polish migrants in terms of wage levels and risk of precarious conditions, these two factors appear to be inversely correlated at the city level; Oslo being the most rewarding destination in monetary earnings, but also the place where migrant workers are most at risk of exploitative and illegal treatment, and Reykjavik being the least profitable destination in earnings, and at the same time where migrants are least at risk of exploitative treatment. Which of the two should be considered the most successful in protecting migrant workers, depends on what is considered more valuable: high wages or secure and orderly terms of employment?

The rise of the “migration industry”

Temporary staffing and recruitment agencies have been heavily involved in recruiting migrant workers to the Nordic countries and many migrant workers continue to be employed through temporary staffing agencies in their receiving labour markets long after their arrival. In the third part of the report we take a closer look at how the business of temporary staffing has become a “migration industry” in many Nordic countries. The mapping of temporary staffing and recruitment agencies operating in Poland shows how these agencies are part of an industry involving chains of actors facilitating and promoting the mobility, consisting of everything from individual brokers and small firms located in either sending or receiving countries, to large transnational corporations, sometimes investing in recruitment training camps and infrastructure in sending regions. From the initial recruitment of workers in Poland, to their placement with clients and employers in one of the Nordic countries, complex networks and numerous links of mediators, subsidiaries and subcontractors are typically involved. By providing support and information, and relieving client firms of employer responsibility, they reduce the risks and costs involved for both migrants and employers, and thereby contribute to boosting migration flows. However, although temporary work agencies can provide necessary support and services to both mobile workers and employers, they may also render migrants in a vulnerable situation on the host country labour market. Depending on country specific regulations agency work typically yields far less stability and financial rewards than regular employment, as migrant temp workers in many industries tend to function as a flexible buffer to the regular workforce, leaving their work situation characterized by uncertainty and short-sightedness. Temporary staffing agencies have thus not only boosted the transnational mobility of workers, but also promoted increasingly flexible and casual labour relations in migrant intensive industries.

There are some common themes when looking at the histories of temporary staffing in the Nordic countries: from having relatively strict regulations a couple of decades ago, a wave of liberalization swept the Nordic countries, from 1990 and onwards. This was first followed by growth and expansion of the industry, more or less connected to the recruitment of migrant workers, and then by more or less successful national attempts to re-regulate the industry, either through law or collective bargaining – ending in the on-going national applications of the EU Directive on Temporary Agency Work (2008/104/EC). These devel-

opments roughly echo the global development in the temporary staffing industry. When we look in more detail at the development in the Nordic countries and in particular how and to what extent the industry is involved in recruitment and staffing of migrant workers in the aftermath of the EU enlargements, significant differences emerge.

In Sweden, the staffing industry experienced a period of growth early in the 1990s, and became incorporated into the Swedish framework of collective bargaining, providing agency workers in Sweden stronger protection than elsewhere. A new period of growth in the 2000s was *not* related to the recruitment of migrant workers, and there is no evidence of staffing agencies actively recruiting migrant workers abroad in any significant numbers.

In Iceland the industry was not even present before well into the 2000s, but then it exploded onto the scene, based on large scale recruitment of migrant workers from Poland and other new EU member states, as well as southern Europe. Spearheaded by large international corporations who would supply foreign labour to, among others, a large scale hydroelectric power-plant in the country's interior, this development quickly spread to other parts of the economy. Largely outside the scope of Icelandic regulations, the industry was closely associated with low wages, substandard working conditions and social dumping. By 2008, however, the introduction of new regulations and the onslaught of the financial crisis led to the complete breakdown and disappearance of the industry.

The Norwegian temporary staffing industry has followed a quite different trajectory. Banned outside the so-called "traditional office sector" until the 2000, the industry made several attempts to expand into new sectors, but these efforts mostly failed due to difficulties in finding willing workers. With the EU accession in 2004, the industry grew rapidly and expanded into construction, ship-yards, food-processing and oil-refineries using active recruitment of migrant workers from Poland and the Baltic states. This development was closely related to changing labour strategies in sectors where a high demand for cheap and flexible labour was combined with a reluctance to employ migrant workers. The financial crisis was only a temporary setback for the Norwegian temporary staffing industry, and today, immigrant workers comprise more than half the workforce of the industry, which displays a clear cut national division of labour, as native Norwegians are almost exclusively hired to the "office sector", Swedes dominate the health sector market, while Poles and Baltics make up the bulk of workers hired to construction and manufacturing. Largely outside the scope of Norwegian collective bargaining structures the industry has been subject to quite liberal

regulations. The implementation of the EU Temporary Worker Directive thus entailed a stronger regulation of the industry.

The *Danish* temporary staffing industry displays some similarities with the Norwegian case, but also the Swedish. Restrictions were removed earlier than in Norway, but its growth in recent years have neither been as strong as in Norway nor as clearly connected to the recruitment of migrant workers. As in Sweden, it has to a larger extent been incorporated into the general framework collective agreements, but terms of employment are less rigorously regulated than in Sweden. Parts of the industry have been actively involved in recruitment of migrants, much to the same type of industries as in Norway, and the number of CEE migrant workers within the industry has increased sharply since 2004. It is likely that Danish statistics underrepresent the number of temporary migrant workers within the industry, and there are significant grey areas between temporary staffing and other forms of subcontracting.

Our analysis of the situation in the different Nordic countries suggests that the emergence and growth of temporary staffing as a significant "migration industry" has been dependent on the concurrence of: 1) *relatively liberal regulations of the temporary staffing industry allowing for flexible adaptations*; 2) *economic expansion and demand for flexible semi- and low skilled labour*; 3) *tight domestic labour market with difficulties in recruiting native workers*; and 4) *access to willing and potentially "cheap" migrant workers*.

PART I:

New patterns of migration from Central and Eastern Europe to the Nordic countries

*Kristian Rose Tronstad and Pernilla Andersson Joona*²

² Eskil Wadensjö has contributed to the editing and finalisation of this chapter, while Klaus Pedersen has contributed with input on Denmark.

1. Introduction

In the wake of two consecutive eastward enlargements of the European Union in 2004 and 2007 the Nordic countries have attracted considerable numbers of labour migrants from the new EU member states in Central and Eastern Europe (EU8+2). However, the magnitude and composition of migration flows have varied considerably between the different Nordic countries. The aim of this first part of the report is to describe these new patterns of migration to the Nordic countries and provide some explanation for the differences between the Nordic countries. As background and contextualisation for the overall project, we will compare and analyse the composition, volume and direction of macro flows as well as the dynamics and driving forces behind these new patterns of international mobility.

Migration research has identified a wide range of factors that contribute in shaping the macro patterns and flows of migration (Massey 1989). In order to understand the highly different patterns and volumes of labour migration to the Nordic countries after the opening of borders to new EU member states in Eastern and Central Europe, several of these factors need to be taken into account. First of these are the huge *economic differentials* in the levels of wages and unemployment between sending and receiving countries. Better opportunities for employment and higher wages are undoubtedly the primary motive for mobile workers coming to the Nordic countries. Second, we need to look at the *structural changes within immigrant intensive industries* which generate a specific demand for migrant labour. These changes are often related to the concept and process of labour market segmentation, and the associated difficulties of staffing low status jobs with domestic workers (Piore 1979). Furthermore, once established, migration patterns tend to be reinforced through the expansion of *social migrant networks*, which increase the likelihood of further mobility by providing access to information and material and social support for new migrants, reducing the risks and cost of migration and increasing its expected returns. While *state policies* obviously shape international migration flows, the significance of border control has diminished within the enlarged EU/EEA area. The multidisciplinary approach that dominates today's migration research highlight the need to supplement economic perspectives with institutional

analyses of how labour markets function. This is particularly pertinent in the Nordic countries where labour markets are strongly regulated either by state policies or negotiations between social partners.

1.1 Data, variables and methodology

In order to analyse the new patterns of migration from CEE countries to the Nordic countries after the EU enlargement in 2004/2007 we need comparable data. Ideally we would like to have data on movements and stay for all who come from CEE countries to a Nordic country to work. In addition it would be preferable to have employment data on the same group, settled and non-settled immigrants from CEE countries, and that identical definitions of these populations were used in all Nordic countries.

However, large scale labour migration from the new EU countries is a rather recent phenomenon and differs from other immigration flows to the Nordic countries. Since many of the new labour migrants come to work and live in a Nordic country for a shorter or longer period, official statistics is not calibrated to analyse these flows. In some Nordic countries data on permits is available and gives valuable information on the reason for immigration or *intention* behind the immigration to that particular country. However, these data are not available in all the Nordic countries. Therefore, to obtain comparability we needed to settle for second best. We will use immigration by *foreign citizenship* from one of the new EU members in Central and Eastern Europe to analyse the immigration flows. Many immigrants who came from CEE-countries to the Nordic countries before 2004 have stayed for several years and some have been naturalized and are not considered foreign citizens. To analyse the development in the stock of immigrants we have chosen to use *country of birth* instead of foreign citizenship.

Eurostat produces statistics on a range of issues related to international migration flows, non-national population stocks and acquisition of citizenship. Data are collected on an annual basis and supplied to Eurostat by the national statistical authorities of the Member States. Since 2008 the collection of data has been based on Regulation 862/2007. Also the OECD manages several databases dedicated to international migration. One challenge with the data from OECD and Eurostat is that the figures for the Nordic countries vary between the databases. One possible explanation for these differences is that the criterion for entry into the registers differs, with an expected stay of three months in Denmark, six months in Norway and one year in Finland, Iceland and Swe-

den. Based on the Regulation 862/2007, Eurostat aims at harmonizing data to enhance comparability. However, the adaption of the data is not consistent, and for the Nordic countries it could actually blur the picture. Denmark can serve as an example. The Eurostat data for Denmark in 2007 coincide with the figures published by Denmark Statistics, but in 2008–2010 the figures differ. In fact they are considerably lower than the figures published as official statistics by Denmark Statistics. Concerning OECD data, Denmark started producing a series for the OECD, based on a one-year actual stay in the country that consists of persons who entered Denmark in a particular year and were still there one year later. Instead of using either OECD or Eurostat data, we decided to use the data provided by the national statistical offices in the five Nordic countries and made available through a Nordic statbank.³ These data are produced with the national differences in the criterion of entry into the registers, as mentioned above, but these data are consistent with the figures already published as official statistics and covers the relevant time span for this project from 2000 until 2012 (or latest year available).

What characterizes the Nordic countries with regard to administrative register sources is that they cover many aspects of society where the quality of the registers is relatively high, and where there is a contact between registers that enables a certain degree of coordination. However, population registers includes only people who are settled and who have obtained a personal identification number (PIN). To investigate the magnitude of labour migrants in the Nordic countries migrants we also need to explore how many non-settled migrants are employed in the Nordic labour markets. These figures are not found in the population registers, but tax-data for non-settled immigrants in some of Nordic countries give some information on the influx of both settled and non-settled CEE immigrants in the Nordic labour market.

To analyse the total inflow from EU8+2 to the different Nordic countries over the last decades we have extracted data on annual inflow from ten sending countries to the five Nordic countries. Data are analysed to find out which of the Nordic receiving countries attracts most immigrants in absolute and relative numbers. To compare the impact of immigration in each country over time we have calculated a gross migration rate. Gross migration rate for each Nordic country is calculated by dividing the total inflow from CEE countries in a given year by the population in the country

³ Nordic Statistics >> <http://91.208.143.50/pxweb/pxwebnordic/dialog/statfile1.asp>

the same year. The number for each year is multiplied by 1,000, indicating migration from CEE countries per thousand inhabitants.

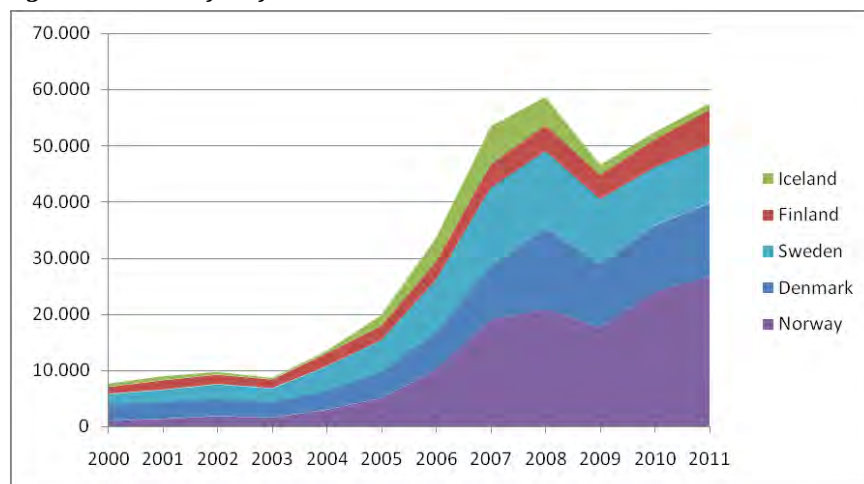
1.2 Who are the migrants and why do they come?

After the enlargements of the European Union in 2004 and 2007 the inflow of citizens from the ten new members in Central and Eastern Europe (CEE) increased substantially to the Nordic countries. In total there were 336,000 citizens from CEE countries who migrated to the Nordic countries from 2004 until 2011. These figures include citizens who moved to a Nordic country with the intention to stay for a longer period.⁴ Figure 1.1 illustrates that the number of citizens from CEE countries immigrating to the Nordic countries before 2004 were less than 10,000 per year.⁵ Over a period of four years the inflow from the new EU member states increased six fold and peaked in 2008 with an inflow of close to 59,000 foreign citizens from these countries. From 2008 until 2009 the inflow dropped to 47,000, but already two years after the financial crisis the number of people migrating from CEE countries to the Nordic countries again reached 2008 inflow level with close to 60,000 immigrating to Nordic countries in 2011.

⁴ This figure include persons who obtain a residence permit or a work permit for a period exceeding three months in Denmark, six months in Norway and twelve months in Finland, Iceland and Sweden.

⁵ EU expanded 1 May 2004.

Figure 1.1 Gross inflow from EU8+2 to the Nordic countries 2000–2011



Source: Nordic Statistics

It is important to note that these are the official figures of foreign citizens who migrate to the Nordic countries from EU8+2 and who are registered as immigrants. That means that they have been registered and have stated an intention to stay for more than three, six or twelve months depending of receiving country.⁶ In addition to these flows many migrants who come to the Nordic countries in this period were labour migrants on short term stay or posted workers who never registered. Preliminary results from a Norwegian study estimate that the number of foreign citizens who came to Norway after 2004 was twice as high if labour migrants on short term contracts and posted workers were added to official flows (Bratsberg and Raaum forthcoming).

Where do they go?

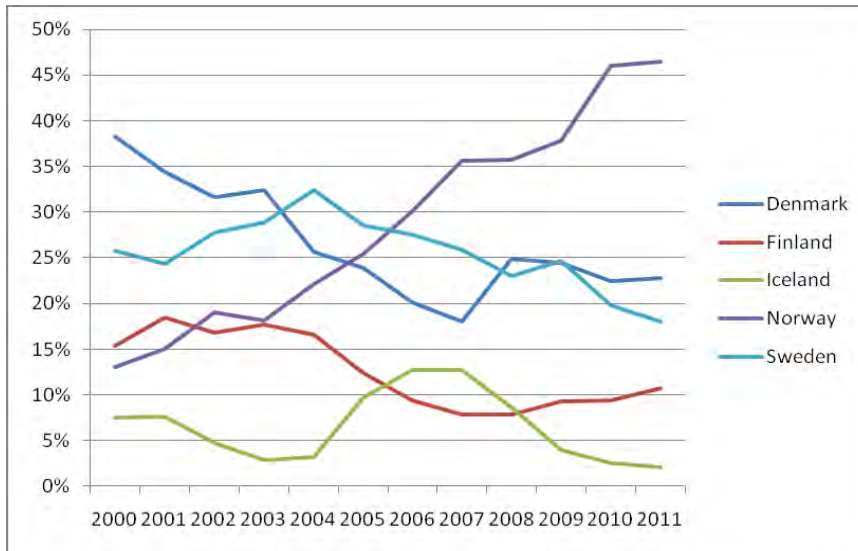
As showed in previous section, inflow from the new EU member states increased six fold after the labour market was opened in 2004. All the Nordic countries experienced large increase, but how has the composition of these flows changed before and after 2004?

Before 2004, when migration from CEE countries was low, Denmark and Sweden were the two top destination countries of the Nordic countries. Since 2004, when migration from CEE countries boosted Norway has gained importance and by 2006 it became the top receiving country

⁶ See more detailed information in the following paragraphs.

(Figure 1.2). Almost half of all the migrants from CEE countries who came to the Nordic region in 2011 went to Norway.

Figure 1.2 Share of gross inflow from EU8+2 to the Nordic countries 2000–2011



Source: Nordic Statistics

Finland share of the inflow decreased from pre 2004 until 2008, but since 2008 Finland has gained importance as a receiving country in the Nordic region. Many are arriving to Finland from Estonia. For Iceland it is the other way around. Inflow to Iceland from CEE countries increased rapidly from 2004 until 2007, and constituted 13% of the total inflow to Nordic countries in 2006–2007. But Iceland was the country in the Nordic region which was hit hardest by the financial crisis, and since 2008 Iceland's share of the total inflow to the Nordic countries has decreased.

Iceland is a small country with 320,000 inhabitants, compared to Sweden with more than 9 million. If we adjust for population size (inflow per thousand inhabitants) and calculate an annually gross migration rate for the Nordic countries, we find (in table 1.1) that Iceland has experienced the most dramatic rise in inflow of CEE migrants compared to the other countries.

Table 1.1 Gross migration rates from EU8+2 adjusted for population (Inflow per thousand inhabitants)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Iceland	2,0	2,4	1,6	0,8	1,5	6,6	14,2	22,1	16,1	5,7	4,2	3,7
Norway	0,2	0,3	0,4	0,3	0,6	1,1	2,2	4,1	4,4	3,7	5,0	5,4
Denmark	0,5	0,6	0,6	0,5	0,6	0,9	1,2	1,8	2,7	2,1	2,1	2,3
Nordic total	0,3	0,4	0,4	0,4	0,5	0,8	1,4	2,2	2,3	1,8	2,1	2,2
Sweden	0,2	0,2	0,3	0,3	0,5	0,6	1,0	1,5	1,5	1,2	1,1	1,1
Finland	0,2	0,3	0,3	0,3	0,4	0,5	0,6	0,8	0,9	0,8	0,9	1,2

Source: Nordic Statistics

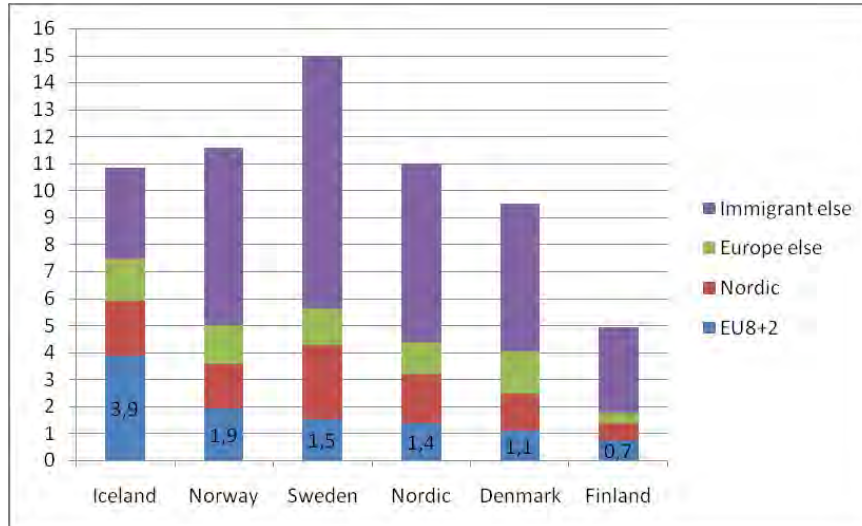
The gross migration rates reveal that the inflows have been smallest to Finland and Sweden and highest to Iceland and Norway. Denmark is in the middle, close to the Nordic average.

Population and foreign born population in the Nordic countries

In 2012 there were roughly 25.7 million residents in the Nordic countries, with Sweden the largest (9.5 million), Iceland the smallest (320,000), and Norway, Finland and Denmark in the middle (4.9 to 5.5 million).

The foreign born population in the Nordic countries counted in total 2.8 million in 2012 equalling 11% of total population. 1.4% or 350,000 of the population was foreign born from one of the ten new EU countries in Central and Eastern Europe. This was more than double the figure in 2004. Of the Nordic countries Iceland (3.9%) and Norway (1.9%) has the highest share of settled population from CEE countries and Denmark (1.1) and Finland (0.7) the lowest.

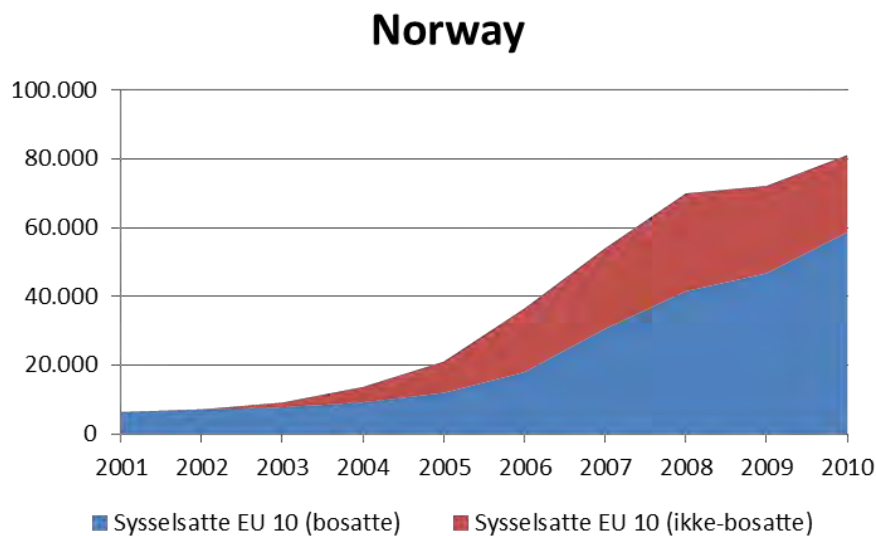
Figure 1.3 Stock of foreign born by region of origin, Proportion of total population 2011



Source: Nordic Statistics.

In 2012 the foreign born population in Sweden counted for 15% of the population, whereas immigrants in Finland only counted for 4.9% of the total population. Denmark, Norway and Iceland are placed closer to the Nordic average with foreign born population counting for 9.5, 11.6 and 10.8%, respectively. While Finland and Iceland only recently have become immigrant destinations, labour migration to Sweden started in the 1940s and to Denmark and Norway in the late 1960s. Labour migration to these three countries continued until the early or mid-1970s, followed by family and refugee migration in the late 20th and early 21st century. Since many from CEE countries are posted workers or temporary workers on short term contracts they are not in the population registers. Some countries have information in registers on temporary or short-term immigrants through register based employment statistics.

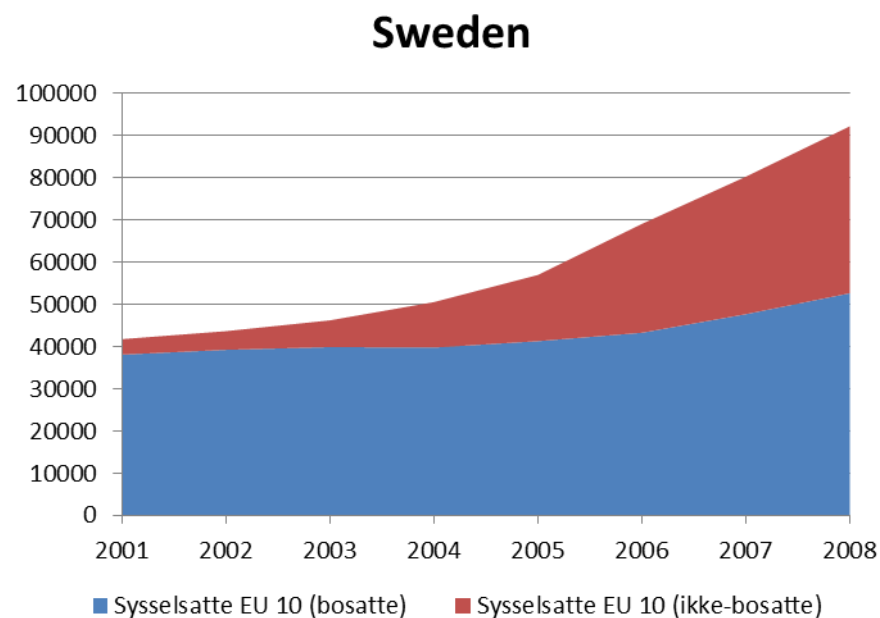
Figure 1.4 Employed EU8+2 in Norway, 2000–2010, registered settled migrants and registered non-settled workers on temporary stay



Blue: Employed EU 10 (settled). Red: Employed EU 10 (non-settled)

Source: Statistics Norway (SSB).

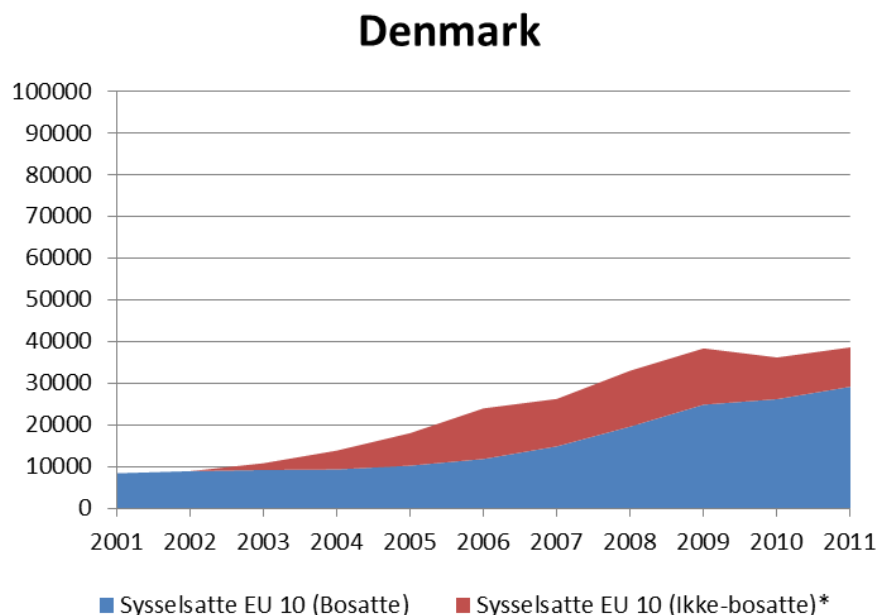
Figure 1.5 Employed EU8+2 in Sweden, 2000–2010, registered settled migrants and registered non-settled workers on temporary stay



Blue: Employed EU 10 (settled). Red: Employed EU 10 (non-settled)

Source: Statistics Sweden (SCB).

Figure 1.6. Employed EU8+2 in Denmark, 2000–2010, registered settled migrants and registered non-settled workers on temporary stay



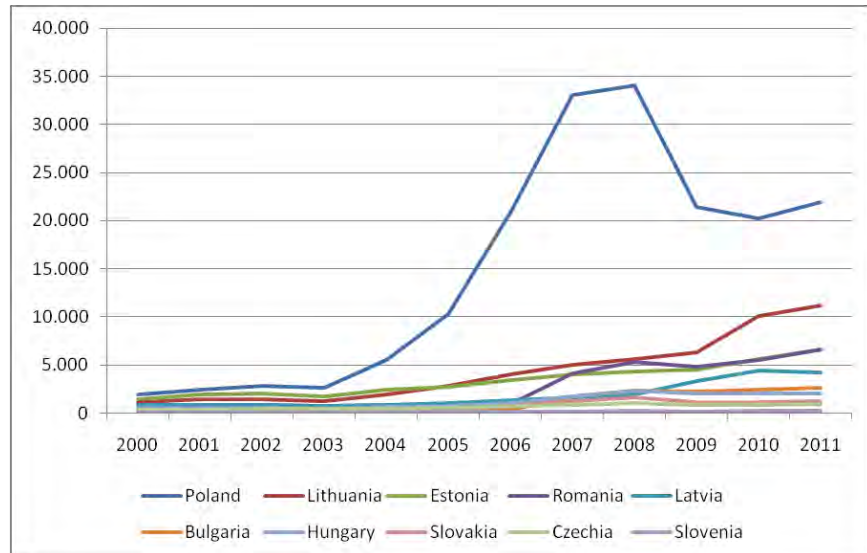
Blue: Employed EU 10 (settled). Red: Employed EU 10 (non-settled)

Source: Statistics Denmark.

Where do they come from?

All Nordic countries have experienced a significant increase in the migration from the ten New EU-members in Central and Eastern Europe, with Norway as the numerically top receiving country. Figure 1.7 shows that Poland, by far, outnumber the other CEE countries as top sending country. From 2004 until 2011, more than 167,000 Poles entered the Nordic countries, with 2007 and 2008 being the top years with 33,000 respectively 34,000 Poles migrating to the Nordic countries.

Figure 1.7 Immigration from EU8+2 to the Nordic countries in total, by citizenship and year



Source: Nordic Statistics.

Lithuania is the largest of the three Baltic States, but with a population of 3.2 million it is a relatively small country even in a Nordic context. Since 2004 more than 47,000 Lithuanians have migrated to Nordic countries and numbers have been growing every year. In 2011, more than 11,000 Lithuanians migrated to a Nordic country. After Poland and Lithuania, Estonia, Romania and Latvia followed as top sending countries. Although the number of migrants from Bulgaria, Czech Republic, Hungary, Slovakia, and Slovenia has increased since 2004, flows from these countries are small compared to the other (figure 1.7).

If we compare the flows between different sending and receiving countries, we find (table 1.2) differences between the Nordic countries. Migration to Finland differs significantly from the other countries. In the period from 2004 until 2011, there were more than 24,000 Estonians migrating to Finland. Three out of four Estonians who migrated to a Nordic country went to Finland in the period 2004–2011. Finland and Estonia are neighbouring countries and the two majority languages are closely related.

Table 1.2 Rank of EU8+2 sending countries, by receiving Nordic country, 2004–2011

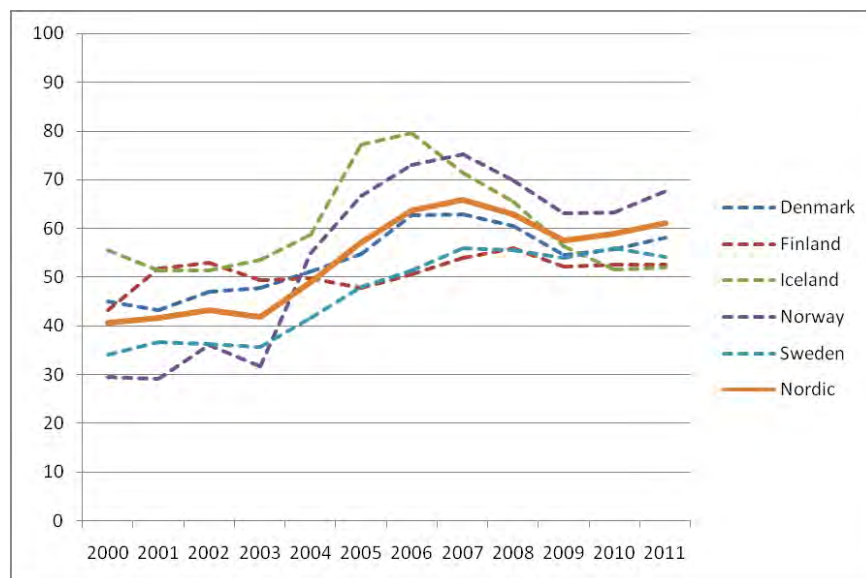
Receiving country		Denmark	Finland	Iceland	Norway	Sweden
Top sending country	1	Poland	Estonia	Poland	Poland	Poland
	2	Lithuania	Poland	Lithuania	Lithuania	Romania
	3	Romania	Hungary	Latvia	Latvia	Lithuania

Source: Nordic Statistics.

For the other Nordic countries, except Finland, Poland is the largest sending country. In Sweden, immigration from Romania is ranked second after Poland, while Lithuania is the second largest sending country to Denmark, Iceland and Norway.

Before the EU enlargement women dominated the flows from CEE countries. Between 2004–2007 men's share of the inflow to the Nordic countries increased and by 2007 two out of three who migrated to a Nordic country were males. After 2008 the composition of the inflow changed and became less male dominated. There are probably several explanations for this development. One plausible explanation is that demand for labour in male dominated industries like construction and manufacturing fell during the financial crisis. Another explanation is that some of the men who moved to work in one of the Nordic country in the early stage after 2004 decided to stay more permanent in the receiving country and brought their wives and children. The Polonia studies from Copenhagen, Reykjavik and Oslo support this explanation, showing that many Poles after some time brought their family.

Figure 1.8 Male share of gross inflow from EU8+2 to the Nordic countries 2000–2011



Source: Nordic Statistics.

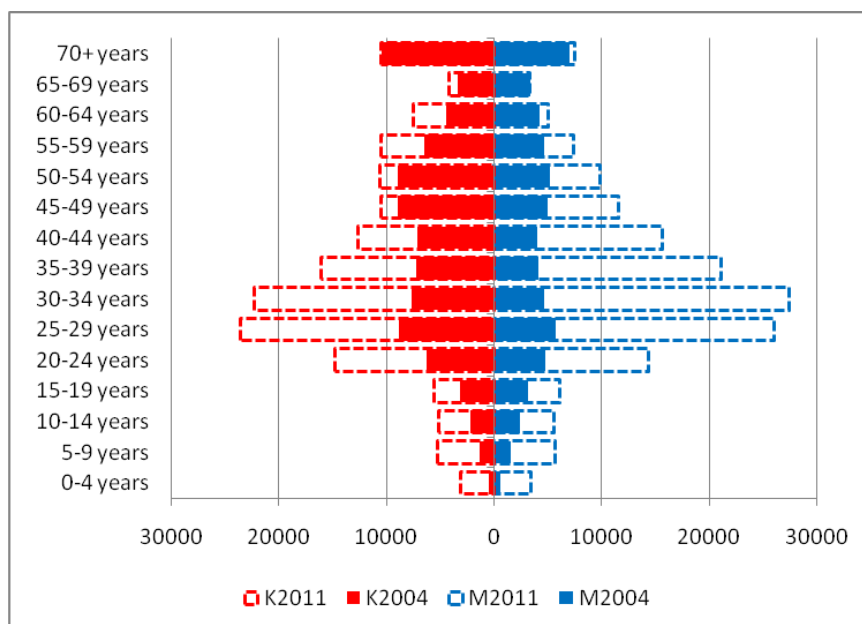
The gender balance in gross inflow differs somewhat between the Nordic countries. Gender ratio in migration in Iceland was 60% women against 40% men until 2003 when it started to shift. Migration to Iceland has been male dominated the last decade, and peaked in 2005–2006 when 80% were males. In post expansion period it has gained a almost equal balance with women exceeding slightly around 52% and men 48%. The gender composition of the inflow to Finland has been close to 50–50 over the last decade; while Norway has experienced a huge shift from female to male dominated migration flows after 2004.

Changing age structure

In 2011 approximately 350,000 people born in one of the CEE countries lived in the Nordic region. Not all of them were labour migrants, some were children and elderly. How many of the migrants from these countries were in the working age population (15–64 years), and how have the immigrant population changed since 2004? Many had also arrived earlier as refugees from Estonia, Hungary, Czechoslovakia and Poland.

Comparing the age structure in 2004 against 2011, figure 1.9 shows that the growth has been strongest in the age cohorts 20–44. In the working age population (15–64 years) the number of CEE migrants more than doubled from 114,000 in 2004 to 279,000 in 2011.

Figure 1.9 Age structure of CEE migrants in the Nordic countries in 2004 and 2011



Source: Nordic Statistics.

To analyse the development in different Nordic countries we have also made the age structure comparison in each country (see appendices 1–5). The analyses reveal huge differences and changes in age and gender structure in the stock of CCE immigrants between different Nordic countries.

In Norway the working age population from CEE countries was six times bigger in 2011 than in 2004. In Denmark and Iceland it was almost three times bigger, and in Finland it more than doubled. In Sweden the change was less dramatic. The growth of the working age population from CEE countries was 55% in the period 2004 until 2011. Many had already before 2004 immigrated to Sweden from these countries, many of them being refugees from Estonia, Hungary and Poland in the post-war periode.

1.3 Driving forces of labour migration to the Nordic countries?

Based on statistics from Nordic Statistics, we concluded in the previous section that migration in total numbers has been highest from Poland to Norway and Denmark, while it has been lower to Sweden in spite of Sweden not imposing any transitional rules for new member states in

2004 and 2007. Judging from the inflow of labour migrations from EU10 measured as a percent of the total population, Iceland was the largest receiving country where the inflow was as high as 2.2% of the population in 2007. Since Sweden, Norway and Denmark are the three Nordic countries receiving the largest proportion (in real numbers) of migrants from Central and Eastern Europe, the following comparison will focus on these countries.

Statistical analysis of the determinants of migration between east and west in Europe have found that the opening up of labour markets in 2004 and 2007 not surprisingly had a significant effect on migration flows. So do employment rates and wage levels – higher unemployment in the destination country decreases migration while higher unemployment in the country of origin increases migration, and higher wage differentials positively affect migration. Finally geographical distance and social networks affects migration – the larger the geographical distance between the countries the smaller the migration flows will be, and the larger the stock of immigrants already living in the destination country the larger the migration flows will be (see Pytlikova 2012 and Bratsberg *et al.* 2012).

Differences in employment and wages between sending and receiving countries have by economists been assumed to be the main factor behind explaining migration flow of labour migrants. Previous studies of labour migration flows have found that the labour market situation in the destination country is more important than the situation on the labour market in the home country (Wadensjö 1976; Lundborg 1991). Another finding is that the unemployment and the number of vacancies are more important than differences in the wage level (Nyberg 1980). Using data at the individual level, Røed (1996) finds that those with low education primarily move to get employment while highly educated workers move abroad to get a higher wage. According to these hypotheses, lower employment, higher unemployment and a lower wage level contribute to explain the large outflows of workers from Central and Eastern European countries after 2004 when it became possible to move abroad due to the EU-membership. The indicators on wages and unemployment in table 1.3, show that migration flows have been in accordance with what one might expect: Norway, with the highest wages and lowest unemployment, have been top receiver, while far fewer have found their way to Sweden, having significantly lower wage levels and higher unemployment.

Table 1.3 GDP per Capita, hourly gross wage, and unemployment in the EU and EEA countries 2007

	GDP per capita PPS		Hourly gross wage		Unemployment rate
	Euro	In % of EU 15	Euro	In % of EU 15	
Denmark	31.4	114	24.23	166	3.7
Finland	29.6	107	15.46	106	6.9
Sweden	31.3	113	17.68	121	6.1
Norway	45.7	166	26.14	179	2.6
Iceland	32.0	116	n.a.	n.a.	n.a.
EU 10	13.2	48	3.03	21	8.9
Poland	12.9	47	3.34	23	13.8
Estonia	16.7	61	3.51	24	4.9
Latvia	13.9	50	2.92	20	5.9
Lithuania	14.3	52	2.95	20	4.3
Czech R.	18.7	68	3.71	25	5.3
Hungary	14.8	54	4.16	29	7.2
Slovak	16.4	59	3.42	24	11.3
Slovenia	22.0	80	8.31	57	4.7
Bulgaria	9.3	34	1.11	8	6.9
Romania	9.6	35	1.76	12	n.a.
EU-15	27.6	100	14.56	100	7
EU-27	24.6	89	12.12	83	7.1

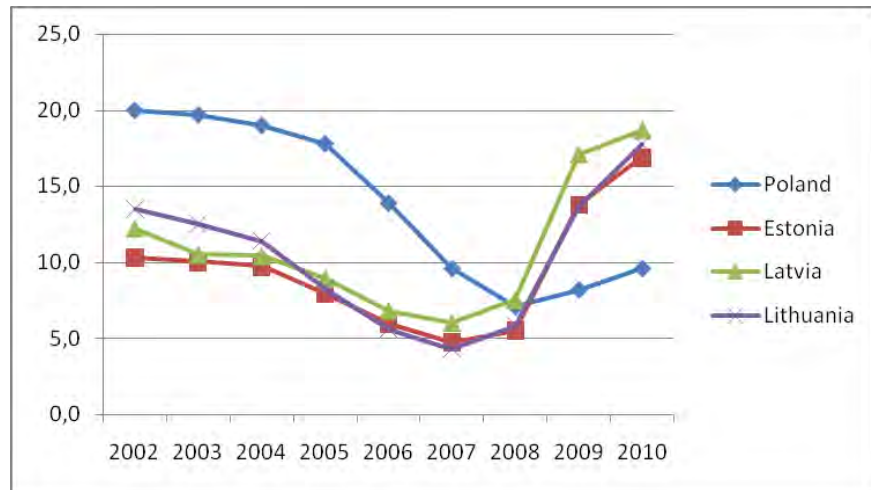
Source: OECD.

In the beginning of the period, unemployment was substantially higher in Central and Eastern Europe than in the Nordic countries. However, the level of unemployment decreased significantly, foremost in Poland; from 20% in 2002 to 9.6% in 2007. As we previously saw, there has also been a large increase in migration from Lithuania after 2008 which partly could be explained by the deep recession of the Lithuanian economy. In 2008 unemployment was still relatively low, around 5.8%, and one reason for this is that there has been a large out-migration of workers from the country (www.swedenabroad.com).⁷ By 2010, unemployment had increased to 17.8%. While the downturn in the economy might explain the general trend of increased outmigration it does not explain why the individual Nordic countries received such different numbers of Lithuanian migrants.

Unemployment rates were relatively low in the Baltic region during the period 2006–2008 but increased in 2009 as a result of the global economic crisis. The decrease in unemployment in both Poland and the Baltic countries up to 2008 can partly be explained by the large outflow of workers. See Figure 1.10 for description of unemployment rate levels in Poland and the Baltic countries.

⁷ www.swedenabroad.com, 27.1.2012.

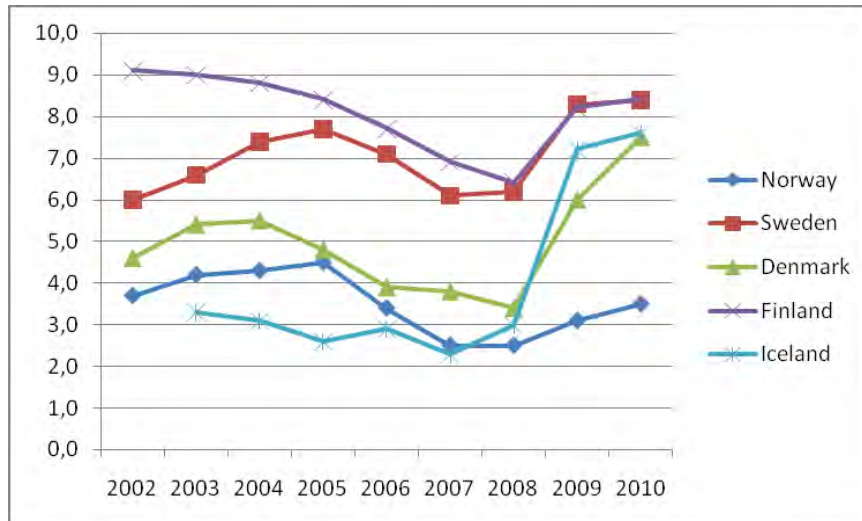
Figure 1.10 Unemployment (percent) in Poland and the Baltic states, 2002–2010



Source: Eurostat.

Figure 1.11 shows unemployment in the Nordic countries. Up to 2008, unemployment was lowest in Iceland, Norway and Denmark while it was higher in Sweden and Finland. In 2008, unemployment levels rose sharply in Denmark and Iceland but were only mildly affected in Norway. At a country level, there appears to be a strong positive correlation between the level of unemployment and the inflow of migrant workers: countries with lower unemployment have received more migrants from Central and Eastern European countries. We also see a correlation over time: in years when unemployment is higher, the inflow of migrant workers decreases.

Figure 1.11 Unemployment in the Nordic countries, 2002–2010



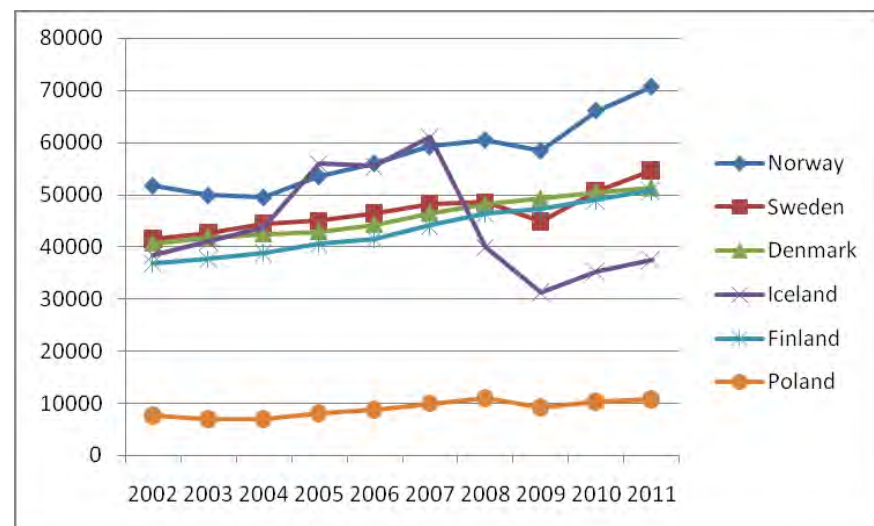
Source: Eurostat.

Another way of describing and comparing the national labour markets is to look at annual net earnings. Figure 1.12 displays annual net earnings for a single parent household without children working 100% of the average working time in the Nordic countries as well as in Poland. Poland is presented together with the Nordic countries since it is the largest sending country. Since many labour migrants travel alone the first time and at least have the intention of working full-time, this is the income that labour migrants are likely to have as a reference when comparing the income levels between countries (even though most migrants must expect somewhat lower earnings than the average). Among the EU10 countries, annual net earnings are highest in Slovenia followed by the Czech Republic and Estonia. Lowest are wages in Bulgaria, Romania and Lithuania (Eurostat, 2012).

Looking at earnings, we see that earnings have increased at a fairly constant rate in Denmark, Finland, Norway and Sweden, but that Norwegian earnings have been higher than in the other countries. Even after the crisis in 2008, wages are basically unaffected although earnings in both Norway and Sweden decreased slightly. In general, adjustments on the labour market to demand side changes are made through employment rather than wages. In Iceland the pattern looks a bit different since the earnings level decreased dramatically after 2008. The financial crisis seems to have affected both employment and earnings. Not surprisingly, we see that the earnings level in Poland is much below that of all Nordic countries.

The observed differences in unemployment and earnings between the Nordic countries and the sending countries, as well as between the Nordic countries, can be seen as indications of that better employment opportunity and higher incomes explain part of the migration flows. The fact that Norway stands out as the country with the labour market yielding the highest expected employment rates as well as expected wages could be part of the explanation for why Norway has been receiving more labour migrants than the other Nordic countries.

Figure 1.12 Annual net earnings (Euros), single parent without children, 100% of average worker, 2002–2011



Source: Eurostat.

Although basic economic indicators, such as wages and unemployment, seem to be able to account for much of the variation in migration flows to different Nordic countries, other factors may be taken into account when trying to understand the causes and process of migration. One such factor is the existence of social networks between the sending and host country. If many countrymen already are present in a country and have positive experiences, they might recommend it to family and friends at home, as well as provide them with economic and social support. According to the Polonia survey that was conducted in Norway among Polish immigrants living in the Oslo area in 2009, only 25% of male immigrants stated that the main reason for coming to Norway was that friend or family already was in Norway. Among women 65% stated this as the main reason making it the most common answer among women (Friberg and Eldring, 2011). This is not surprising since labour migration from Poland since

2004 has been dominated by men and if they decide to settle in the country of destination it is not uncommon that their families reunite with them. However, even among the men, more than 80% reported that they knew someone staying in Norway before arriving themselves. So even if economic motives were primary for the decision to migrate, knowing someone at the destination may have reduced the risk and cost of doing so. In statistical analysis, social networks as an explanation for migration flows is usually measured by estimating the effect of the stock of migrants from a particular country already settled in the country of destination on the size of the migration flows from this country. Pytlikova (2012) does exactly this and finds that the larger the stock in the previous year, the larger is the inflow of new migrants. This result has also been found in other studies (e.g. Bauer *et al.* 2005, Pedersen *et al.* 2008b, Bratsberg *et al.* 2012). However, migrant networks primarily work to reinforce and perpetuate migration flows once they have started; they are not a root cause in themselves. Otherwise we would expect to see more migrants going to Sweden, which had a larger population of immigrants from the new EU member states before 2004.

Institutional regulations may also shape migration flows, but the different application of transitional restrictions on migration in the period after 2004 does not appear to have affected migration flows in any decisive way. For example, Sweden did not impose any transitional rules for accession countries, while Denmark, Finland, Iceland and Norway implemented transitional restrictions in 2004. In Norway, workers from EU 8 were obliged to have contracts for full time work at Norwegian wage level in order to obtain a work permit. There were also some restrictions on access to welfare benefits. These restrictions were phased out in 2009. For workers from Bulgaria and Romania, who joined EU in 2007, transitional restrictions were repealed in May 2012. Iceland had restrictions for EU 8 citizens until May 2006 and later for Bulgaria and Romania until January 2012. In Denmark, similar restrictions were introduced, but were relaxed from 2006, easing the access for Danish employers with collective agreements to hire EU-10 migrants administered through prior approval of relevant employers. In May 2009 Denmark renounced its transitional legislation, opening up the Danish labour market for EU10 citizens. However, having experienced that the unrestricted EU-transnational service provision and posting of workers were to a larger extent challenging than individual migrants, in 2008 a registration scheme was put in place to monitor and to serve as a control measure towards the foreign companies. Like Iceland, Norway and Denmark, Finland also imposed transitional rules for the new member

states in 2004, but these were based on quotas and labour market testing rather than minimum standards of working conditions, but these rules were revoked in 2006. If only considering differences in migration policies and differences in how the countries choose to implement the idea of free movement of labour, we would expect that Sweden should have received a larger proportion of EU10 migrants than what they actually did. But as we have seen, more migrants have chosen to move to Denmark or Norway instead, suggesting that the prospects on the host countries labour markets are more important than the formal rules that apply to migration.

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PART II:
**Labour market regulation,
migrant workers and varieties
of “social dumping” in Oslo,
Copenhagen and Reykjavik**

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2. Introduction

The Nordic countries have in the years since the eastward enlargements of the European Union in 2004 and 2007 attracted considerable numbers of labour migrants from new EU member states, and particularly from Poland. The recent inflow of migrant workers to the Nordic countries has raised a number of questions and challenges regarding work and welfare in those sectors to which the labour migrants have been recruited. The term *social dumping* has featured high on the political agendas in all the Nordic countries in the years since 2004, usually referring to low wage competition, exploitative working conditions and the fear that migration and labour recruitment from low wage countries would undermine national systems of collective bargaining and labour market regulation. Although concerns over wage levels and working conditions apply to all new migrant workers, migration in the form of service mobility and posting of workers has been perceived to be a particularly difficult area for the enforcement of national labour standards. All of the Nordic countries – although to varying degree – have experienced these challenges, but the institutional responses to them have diverged. For example, Norwegian efforts by government and social partners to combat social dumping have entailed a significant shift towards stricter legal regulation and enforcement of wages and labour standards through industry-wise legal extension of collective agreements and regulations on so-called chain liability. The Danish responses, on the other hand, have to a greater extent followed established historic traditions of collective bargaining between social partners. In Iceland, the impact of the financial crisis overshadowed emerging discussions about social dumping among migrants, as the economic downturn was met by devaluation of the Icelandic Krona and austerity measures affecting the living conditions of all Icelanders.

2.1 Social dumping – what is it and why is it considered to be a problem?

The mechanisms of “social dumping” are well known: Employers looking to reduce their costs may opt for strategies based on recruiting foreign workers and offering them wages and working conditions that undercut established standards (McGovern, 2007, Lillie, 2010, Woolfson *et al.*, 2010). Labour migrants from countries where wages, welfare and living conditions are substantially lower might be willing – or have little other alternative than – to accept wages and working conditions substantially below host country standards, simply because their alternative options are worse than for native workers. With large differences in wages and working standards – like those found between the Nordic countries and the new member states – labour migrants may even be quite satisfied with sub-standard conditions in the host country – at least for a while – because recent migrants tend to compare their situation to others back home rather than to their colleagues who are native to the host country. This is often referred to as the “dual frame of reference” (Waldinger & Lichter 2003).

Among policy makers and trade unionists in particular – but also among some employers and employer associations – there has been a wide spread fear that low wage competition and deteriorating labour standards as a result of the free movement of workers will undermine the regulatory framework upon which essential parts of the Nordic social model rests. The Nordic social model – usually defined by highly regulated labour markets with strong trade unions and employers organizations, wage formation through centralized or two-tier collective bargaining between the social partners, a generous universal welfare state and a high level of social equality – is often perceived to be particularly vulnerable to the negative effects of social dumping. In all the Nordic countries there is now a general consensus that the ability of governments and social partners to continually uphold labour standards, prevent segmentation, precariousness and people falling out of the social model, have come under pressure from the continued liberalisation of the European labour market in general and increasing cross border labour mobility from low cost countries in Central and Eastern Europe in particular. On closer inspection we find that the debate regarding “social dumping” seems to be driven by at least four slightly different concerns.

First, it is driven by the immediate self-interest on behalf of native workers, because wage dumping may weaken their negotiating position and drive down the price of labour, thus undermining labour standards in the affected labour markets. This is in particular, thought to affect

those workers who already are in a weak position on the labour market and those who have competing sets of skills as those of migrant workers. *Second*, the debate on “social dumping” is driven by a concern for the labour migrants themselves. Very often immigrants and natives do not compete for the same jobs. Instead immigrants tend to take those jobs that are shunned by natives (Piore 1979, McGovern 2007), and if the newcomers are systematically offered what is considered to be exploitative and unacceptable working conditions, unchecked labour migration may lead to new forms of inequality between natives and immigrants. In societies with high ambitions of social equality – like the Nordic countries – such class differences along ethnic boundaries are considered problematic in and of themselves. *Third*, although closely related to the first two, the debate on “social dumping” is driven by a concern for the long term functioning and legitimacy of the labour market institutions themselves, in particular their ability to prevent unfair competition, exploitation of migrant workers and protect the standards of native workers under conditions of free movement. *Fourth*, the concern over “social dumping” is related to a concern over the long term sustainability of the Nordic welfare states. This issue goes beyond the concerns of “social tourism” raised by the EU coordination of social security. Although labour migrants initially – and for obvious reasons – display high rates of employment and place few burdens on welfare expenditure, there is no guarantee that they will do so in the long run. This is a lesson learned from former immigrant waves of guest workers to western European countries during the 1960s and 1970s (Bratsberg *et al.* 2010). If unregulated labour migration leads to the establishment of secondary immigrant intensive niches of the labour market, where employers offer only harsh conditions, low wages and insecure employment, it is not unreasonable to assume that workers confined to these segments may end up having relatively short careers (Friberg 2012b). If that is the case, today’s cheap and flexible workers may become tomorrow’s marginalized welfare dependents.

Labour migration and free mobility of workers affect the relationship and bargaining power between labour and capital, by increasing – and changing – the supply of actual and potential workers in the labour force. Thus it is not surprising that political controversy over social dumping to some extent follow the traditional axis between left and right, and traditional divisions between the interests of trade unions and workers on the one hand and businesses and employers on the other. To some extent it would be fair to say that political parties on the left and the trade union movement have been the ones most concerned about

social dumping, while political parties on the right and the interests affiliated to business, have tended to emphasize the economic gains from increasing flexibility in the labour market, and to be more skeptical towards anti-dumping measures, which are seen as inappropriate intrusions on the private corporate governance. But this issue is not always as straight forward as this presentation suggests. While most workers and trade unions are concerned with increasing competition from workers from poorer countries, others have experienced that the access to a cheap, flexible and complementary reserve labour force has in fact helped to increase productivity and safeguard jobs – and may thus be less inclined to push for anti-dumping measures. And while many employers regard low wage competition as a welcome way of reducing their costs, other employers are squeezed by increasing competition from new low-cost transnational service providers, and see the benefit in regulations that can “level the playing field”. This has for example been the case in the Norwegian construction industry, where the employer’s organizations allied with the trade unions in support of legal extension of minimum wage provisions in collective agreements (Eldring *et al.* 2012). Adding to the confusion is the fact that there is no general consensus in any of the Nordic countries regarding the definition of social dumping and where to draw the line between acceptable and unacceptable low wages. In other words – discussions about social dumping and how it might affect labour markets and societies tend to be obscured by political controversy, vested interests and a lack of commonly accepted definitions.

In this report, we do not seek to resolve these issues, but to provide a factual basis for further discussions. We accept the premise that low wage competition and exploitative working conditions can be problematic, not just for the workers themselves but also for native workers and the host society. Our aim is to provide reliable information about the actual labour market situation and working conditions of labour migrants, rather than to define what social dumping is or what consequences it might have. However, by describing these conditions and by analyzing which factors are particularly associated with low wages and precarious working conditions, we aim to provide a better basis for policy makers and social partners.

2.2 Institutional context and wage setting mechanisms

The incorporation of immigrants into their host societies is shaped by the institutional context of reception in host societies (Portes, 1995; Anderson 2012). Under conditions of free movement of labour to countries which have highly institutionalized and regulated labour markets, labour market institutions constitute the primary framework and opportunity structure facing both mobile workers and the employers who wish to recruit them.¹ While Norway, Denmark and Iceland are marked by the characteristics of the so-called Nordic social model – usually defined by a regulated labour market with strong trade unions and employers' organizations, wage formation through centralized collective bargaining, a generous universal welfare state and high levels of social equality (Dølvik, Goul Andersen and Vartiainen, 2011) – there are important variations between the three. In the following we will explore the variation between them with regard to their labour market framework and how it might affect wage levels and working conditions among migrant workers.

Most national European labour markets are heavily regulated through *legislation*, including minimum wages, but this is not the case in the Nordic countries. Although many aspects of work are regulated through working environment acts, wages are primarily regulated through voluntary collective agreements negotiated between trade unions and employer organizations. High union density, extensive worker representation and centralized agreements embedded in close interaction between working life policies, the welfare state and macro-economic policies are central features associated with the Nordic model of labour regulation (Dølvik, 2011). While these traits are considered to be common Nordic features, there are nonetheless considerable differences between our three case countries regarding the level of organization and collective agreement coverage. Table 2.1 gives an overview of the situation in Denmark, Iceland and Norway when it comes to trade union density, collective agreement coverage and the use of extension of collective agreements.

Table 2.1 Trade union density, collective agreement coverage and extension of collective agreements in Denmark, Iceland and Norway (2009)

	Denmark	Iceland	Norway
Trade union density	68%	85%	52%
Collective agreement coverage	80%	99%	72%
Legal extension of collective agreements?	No	Yes, widespread	Yes, some

Sources: Nergaard (2010), Eldring & Alsos (2012).

The Nordic countries have had – and still have – high unionisation rates, but these rates vary across the different Nordic countries, and over the last 15 years the trade unions have lost some of their strength. Iceland stands out even in the Nordic context with a trade union density at 85%, and a collective agreements covering close to 100% of all employees. Despite some decline, the Danish trade unions also have a very strong position; 67% of the workforce is unionized, and 80% covered by collective agreements. Norway stands apart with a lower union density – but it is still high compared to the majority of European countries. However, “only” 52% of employees in Norway are members of a trade union and “only” 72% enjoy protection of collective agreements. Those industries where most new migrants have found employment, do however, display much lower rates.

None of the Nordic countries has a statutory national minimum wage, and it is unlikely that any of these countries will introduce such schemes in the near future. The Nordic trade union organisations vehemently oppose a statutory minimum wage, and the employers have provided only occasional support for such solutions. The main argument is that a statutory minimum wage represents a strong interference in the freedom of the partners to bargain for wage levels and wage growth (Eldring and Alsos, 2012).

Instead, the social partners have the main responsibility for wage regulation in all the Nordic countries. In principle, the collective agreements will be binding only for those parties that have signed them (as well as non-unionized workers in companies with agreements), but only Denmark and Sweden apply this arrangement exclusively. A very distinct difference between the countries is the use of statutory mechanisms in the regulation of minimum wages. In Iceland the wages and labour conditions negotiated between the social partners are automatically applied as a minimum to *all* employees. In Norway, the existing *erga omnes* mechanism for making collective agreements generally binding had never been used prior to 2004. However, the inflow of workers from the accession countries exposed already existing weaknesses in the regulatory system, with large sections of the labour market being left

more or less open for low wage competition and “social dumping” (Alsos and Eldring, 2008). After some consideration and internal debates The Norwegian Confederation of Trade Unions (LO) decided to apply for extension of the collective agreement in construction, and as of today parts of the collective agreements in construction, ship-building, agriculture and cleaning has been made generally applicable nation-wide. Denmark (and Sweden) has met similar challenges related to low wage competition in the wake of the EU enlargement, and there has been increasing debate about the need for extension mechanisms or statutory minimum wages. However, so far the unions still want to rely on maintaining their traditional autonomous regime.

Whether legally binding or not, minimum wage requirements in collective agreements are usually far below the average wage level within the industry, but there are considerable differences between the three countries with regard to such wage flexibility. Iceland, in particular, appears to have more wage flexibility within collective agreements, with minimum wage provisions for unskilled workers relatively lower compared to average earnings than in the two other countries. The Icelandic labour market is also considered to have more flexible regulations on hiring and firing. There is also significant variation both in terms of what kinds of conditions are regulated through statutory measures, and in terms of the capability of national labour authorities to actually enforce these conditions.

In sum, despite great similarities, there are considerable variations in the scope for low wage competition and flexibilisation within the three countries systems of wage regulation, as well as variation in opportunities to bypass regulations by competing outside of the organized labour market. If we presuppose that regulations are followed, we should expect to find that almost all migrant workers in Iceland are receiving wages according to collectively agreed wages, and the same being the case for those working in sectors covered by extended agreements in Norway. In Denmark, workers employed in companies without collective agreements should have larger risks of earning sub-standard wages, as would be the case in Norway (unless there is a generally binding agreement in the sector). However, knowing that the ratio between minimum wage levels in the collective agreements and average sector wage levels, as well as the general wage levels differ considerably between the Nordic countries (Eldring & Alsos 2012), the actual wage outcome for the migrant workers may have a different pattern. And of course, regulatory standards are not always observed, and there might be significant variation in the extent to which the rules are being followed depending on the institutional ability to enforce regulations.

2.3 What do we know about the wages and working conditions of migrant workers in the Nordic countries?

Since 2004, several studies have been carried out in Europe in order to measure the effects of labour migration on labour markets and societies in the host countries. Most studies relying on aggregate data have found that the migratory flows after the enlargements have had little or no negative impact on host country labour markets in general (Barrell *et al.*, 2010; EU-Commission, 2008; Kahanec and Zimmermann, 2009). Nevertheless, studies, using more qualitative data, have found plenty of reasons to fear such developments. They have highlighted the poor conditions offered to the new migrants, and have argued that this may challenge labour market institutions in host countries (Friberg & Tyldum 2007; Friberg & Eldring 2011; Alsos & Ødegaard 2008, Andersen and Arnholtz Hansen 2008; Dundon *et al.* 2007; Fitzgerald and Hardy 2010; Lillie and Greer 2007; Woolfson and Likic-Brboric 2008). It should be noted that those studies which conclude that labour migration have had little or no effect on labour markets are marked by certain methodological problems of measurement. These problems include poor data quality, high level of aggregation and difficulties in taking cyclical effects into account.

Nevertheless, findings that show little or no impact on general labour market outcomes on the one hand, and findings that highlight poor conditions among new migrants on the other, are not necessarily in conflict with each other. Drawing on classical segmentation theories of labour migration (Piore, 1979) it may be argued that the labour migrants are allocated into specific jobs and sectors, with a complementary rather than competitive relationship to native workers. According to this theory, they can be exposed to relatively poor conditions in these jobs without immediately affecting the overall host country labour market or the condition of native workers. In such a scenario, the impact of migration will not occur instantaneously and affect labour markets uniformly, but rather unfold as a slow, long term and sequential processes of adjustment affecting different sub-segments of labour markets and society in highly different ways, and therefore quite difficult to measure on an aggregate level. It is therefore important to measure and explore the actual working conditions of the migrant workers themselves – not just for the sake of the migrant workers, but also in order to understand how labour migration over time may affect labour market structures in general.

Despite ample anecdotal evidence and media reports about migrant workers receiving exceptionally low wages and experiencing bad work-

ing conditions, it has traditionally been difficult to obtain reliable information about the actual situation in the labour market for the vast majority of recent labour migrants in the Nordic countries. And there is even less knowledge about the ways in which different policies and institutional frameworks affect their situation. The so-called Polonia surveys – first conducted in Oslo in 2006, then in Copenhagen in 2008, and then replicated in Oslo and conducted in Reykjavik in 2010 – represents the only statistically representative in-depth data on these issues. The Oslo studies have been reported in Friberg & Tyldum (2007) and Friberg & Eldring (2011), and the Copenhagen study was reported in Hansen & Hansen (2009). The Reykjavik study has been reported in Þórarinsdóttir and Wojtynska (2011), Wojtynska (2011) and Þórarinsdóttir (2011). The aim of the present report is to systematically analyze and compare the information obtained in these three cities, and to explore how the wages and working conditions of migrant workers are related to institutions and policies in the three countries.

2.4 Research questions and structure of analysis

In this report, we provide a systematic in-depth analysis of the labour market situation for the Polish migrant population in the metropolitan areas of Copenhagen, Oslo and Reykjavik. Polish citizens are the largest group of labour migrants coming to the Nordic countries from the new member states and all of the three cities have a significant population of post-2004 Polish labour migrants. Our primary objective is to compare wages and working conditions among Polish labour migrants in the three cities, to identify those groups that are most at risk of low wages and exploitative conditions, and to relate the labour market situation of migrant workers to the general institutional and policy context in each country. However, because so little reliable and comparable information exists about labour migrants and their conditions of work, this report will explore a wide range of questions, including:

- Who are the migrants – in terms of demographic, educational and labour market background – and do their characteristics differ between the three different cities of destination? To what kinds of jobs are Polish migrants in Oslo, Copenhagen and Reykjavik recruited? What kind of employment contracts do they have? How, and to what extent do they acquire language skills in the host countries?

- Which wage levels and working hours are generally offered to Polish migrants in the different Nordic countries? To what extent do they experience exploitative and illegal working conditions? To what extent do they have access to and make use of social benefits?
- How do these factors vary between industries, between legal categories of migrants and between migrants in different countries? Is their labour market situation significantly different from that of native workers or other groups of immigrants?
- How do different institutional configurations within the Nordic labour markets shape the outcomes of migrant workers, and to what extent are the different variations of the Nordic labour market regime able to protect workers in an open, unequal and mobile European labour market?

Instead of looking at how labour migration affects the receiving society – for example in terms of general wage levels, labour market structure or welfare expenditure – we turn the question around and ask how and to what extent the Nordic societies are able to incorporate new migrant workers into existing labour market structures and protect them from wage dumping and exploitative working conditions. In asking this question, however, we need to distinguish between a number of different factors that may influence the wages and working conditions that Polish migrants receive in their host country. Their individual characteristics (gender, age, education, etc.), their mode of recruitment and type of employment, their integration into the labour market regulation system (trade union membership, collective agreement coverage, etc.) and a number of other factors.

This part of the report is divided into eight chapters. Following this introduction, chapter two presents the data and methodology that has been employed. In chapter three we direct our attention towards the migrants and compare their characteristics in terms of demographic and educational background, as well as their residency status, their family situation and their plans for the future. Chapter four presents the migrants location in the labour market in terms of which sectors they work and what types of employment relations they have to their employers and clients in the three cities. In chapter five, we compare the language skills of migrants, their access to and use of language training in their host countries, and the way that language skills and language acquisition is related to their placement in the labour market. In chapter six we explore the general wage levels of Polish migrants in the three cities, including their relative position vis-à-vis native workers, and the factors

that are associated with receiving low wages. Chapter seven describes their more general working conditions, and explores the factors particularly associated with precarious, exploitative and illegal working conditions. In chapter eight we sum up the analysis and provide a more comprehensive picture of the situation for Polish migrants in the three cities and some of the underlying causes for the differences we find between cities and industries.

2.5 Data and methodology

The central research question in this part of the report is related to the actual labour market conditions of migrant workers and how variations in their situation are related to variations in labour market regulations among three Nordic countries. The principal data sources are three more or less identical surveys conducted in the three capital cities, where in total more than 1,500 Polish migrants were interviewed in depth about their situation – about 500 in each city.⁸ Our challenges in designing the study in a way that would help us answer these questions were located at two distinct levels.

The first challenge was to establish representative data on the actual wages and working conditions among recent labour migrants. Travelling and working under conditions of free movement, makes recent labour migrants from Poland not an easy population to target in quantitative research. Administrative data based on official registers cover only parts of the migrant population and provides only limited information about their conditions. Survey data can provide much more in-depth knowledge, but for a number of reasons, including lack of sampling frame, high levels of mobility and unconventional housing, long hours, and privacy concerns related to legal status or employment relations, ordinary sampling techniques will only produce data with limited validity. As a response to these challenges a sampling technique called Respondent Driven Sampling (RDS) was employed in order to study Polish migrants living in Oslo, Copenhagen and Reykjavik. RDS was developed and refined by Heckathorn and associates (Heckathorn, 1997; Salganik and Heckathorn, 2004; Heckathorn, 2007; Wejnert and Heckathorn,

⁸ This means that unless otherwise stated, the total number of cases in the following tables and figures is 1 500, or 500 in each city.

2008; Volz and Heckathorn, 2008; Wejnert, 2009) as a method to produce statistically unbiased estimates from samples of hidden and hard to reach populations where no sampling frame exists. The RDS method consists basically of two elements: 1) *a structured way of collecting a broad sample covering the entire variation within the target population using a type of chain referral sampling based on specific procedures; and* 2) *mathematical estimators which take account of the bias which occurs as a result of the network-based sampling procedure.* By applying RDS we were able to give a representative and comprehensive picture of the migrant population at a given point in time in each city, irrespective of the migrants' legal status or registration. The first such survey was conducted as a pilot study in Oslo in 2006, but these data are not included in this report (see Friberg 2010, Friberg & Tyldum 2007). In 2008, a similar study was conducted in Copenhagen. In 2010, the study was replicated in Oslo and a survey was conducted in Reykjavik. In each survey, about 500 Polish migrants were interviewed face to face by a team of Polish-speaking interviewers. These three surveys from Oslo, Copenhagen and Reykjavik form the basis of our analyses.

It has been common in RDS studies to take into account a design effect of 2, meaning that an RDS sample would have to be twice as large as an ordinary random sample in order to produce estimates of equal accuracy (Salganik 2006). However, recent developments in RDS computation have enabled more accurate calculation of design effects based on the degree of homophily (tendency for in-group recruitment) within the RDS sample (Wejnert *et al.* 2012). These calculations have shown that in some cases RDS samples may have substantially larger design effects. However, we applied the same technique to the Oslo survey, and found design effects on key variables to vary between 1.28 and 2.35. This leaves us with 95-percent confidence intervals of 3–5 percentage point on each side of our estimated values. In addition, we have compared our data to available registry data on key indicators, and found that the surveys provide quite accurate estimates on key variables. The statistical uncertainty of our estimates is thus somewhat larger than in ordinary random samples, but not very much larger. For an in-depth discussion of data validity in the RDS samples, see Friberg (2013: 57–64).

The second challenge was to causally relate this information about wages and working conditions among Polish migrant workers in three capital cities, to the institutional frameworks of labour market regulation in each country. At this level the study was designed as a comparative case study using each city as a case. There are two obvious problems related to such a design. The first has to do with the fact that our data on

institutional configuration, average wages and policy responses are located at the national level. Our data on working conditions among Polish migrant workers on the other hand only covers the capital city in each country. Capital cities tend to have quite distinct labour market structures, and there are many sectors that employ migrant workers in the Nordic countries, such as agriculture, ship-yards, oil refineries, hydro-electric power plants and some types of industrial manufacturing, that are not present in these cities. The specific situation in the capital city therefore cannot easily be generalized to the entire country. We nevertheless maintain that the situation for migrant workers in the capital city can in some ways reflect institutional features at the national level, and that comparing each capital city can provide some indication on how national systems function. The second problem has to do with the ratio of variables to cases, and the influence of external factors. The issues we want to explain – labour market outcomes for Polish migrants – is measured through several different indicators along different dimensions, including absolute and relative wages, type of employment and risk of experiencing different forms of precarious, exploitative and/or illegal treatment at work. The independent variables thought to affect these outcomes include overall wage differentials to Poland, collective agreement coverage and unionization rates, the extent and use of statutory regulation and enforcement of wages and labour standards, and the institutional flexibility in terms of how minimum wage rates compare to average rates and the ease with which employers can hire and fire workers, and the extent to which employers are able to bypass regulations through practices such as subcontracting and labour hire. In addition, there are several exogenous factors not related to any particular institutional feature that nevertheless may affect these outcomes. Differences in labour market outcomes might for example be related to the selection of migrants going to the three countries. However, the survey showed that in terms of gender, age and education level – these differences were negligible. A more serious problem is raised by the fact that the three countries were in a somewhat different economic and cyclical context at the time of the surveys. The Norwegian economy was in 2010 almost fully recovered from a mild uncertainty which followed the international financial crisis one and a half year earlier, while Iceland was in the midst of a full blown crisis. The Danish survey was conducted in 2008, just as the economic shock was starting to affect the Danish economy. In a three way case study, there is no way of controlling for the effects of such external factors. Therefore, the regression analysis has been performed on a city-by-city basis and the comparison between

these models cannot determine the exact causal relationship between any specific set of institutional variable and actual outcomes. However, it helps us construct a descriptive typology of how particular institutional features are combined with particular outcomes in each city, which reveals important similarities and differences.

3. Polish migrants in the three cities – who are they?

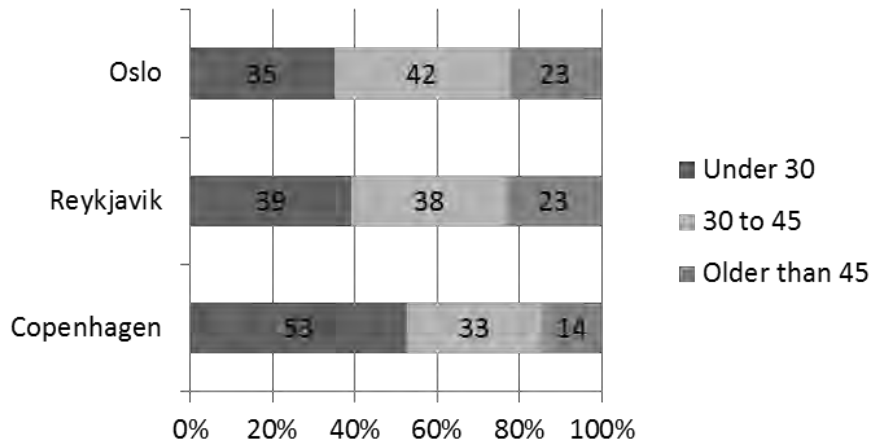
Before embarking upon the analysis of the employment and working conditions, this section offers a brief presentation of the Polish migrants in the three cities. The section describes central individual characteristics of the Poles concerning gender, age, family arrangements, educational level and their length of stay in the Scandinavian cities.⁹ It is important to emphasize that the aim of this section is not to give a full account of the characteristics of the Poles who travel to the Scandinavian cities, but only to give information on a few of the main background variables that characterises the groups residing in the three cities.

3.1 Age and gender

Although more Polish men than women have entered the Nordic labour markets, the tendency for a masculinization of the migration cannot be unilaterally confirmed (Fihel and Okolski 2009). Indeed the Polish population in Oslo is dominated by 64% male workers as opposed to 36% female workers, but the gender distribution is less male dominated in Copenhagen – with 60% male workers and 40% female workers – and close to a gender equal distribution in Reykjavik with 55% male and 45% female workers.

⁹ In previously published data on the *Poles living and working in Copenhagen*, data was weighted differently depending on whether the individual Pole was part of the labour force or not, whereas in this reporting all data is weighted similarly without such discrimination. Thereby parts of the populations who have never had any employment are weighted down to zero producing better precision in the analysis of the working and employment conditions, but less precision in the data on the general individual characteristics. As a result, the figures presented in this chapter on the individual characteristics which are independent from the employment status differ up to 5 percentage points from previously published data on the Polish population in Copenhagen (Arnholz Hansen and Wesley Hansen 2009).

Figure 2.1 *The age distribution of the Polish migrants in Copenhagen, Oslo and Reykjavik. N=1,500*



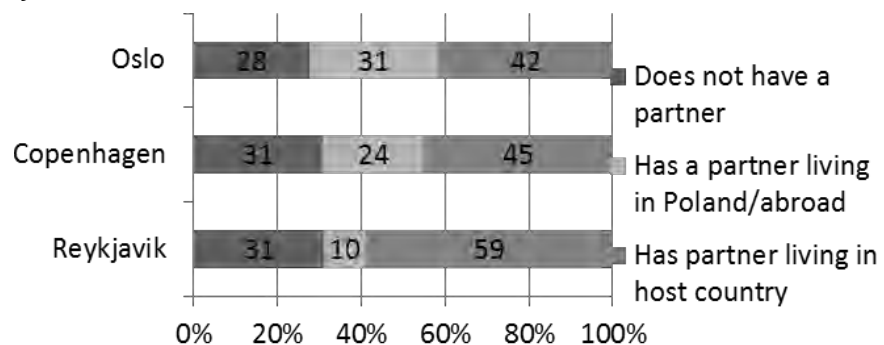
Furthermore, the strong tendency found in other major migration destinations of increasing youth migration (Fihel and Okolski 2009) cannot be found to the same degree in the three Nordic cities. Compared to the national populations, the Polish population in all three cities can be characterised as being rather young, with a large group being below 30 years of age, but compared to other major Polish migrant destinations, such as the UK and Ireland as well as pre-enlargement migration groups, a mean age of 36 years in Oslo and Reykjavik is rather high. However, the Poles in Copenhagen are significantly younger than the Poles living in both Oslo and Reykjavik. It is difficult to point to exactly which selection mechanism might account for this. As will be demonstrated in later chapters, the Poles are recruited into certain kind of jobs and obtain certain kind of employment situations in the three cities, and this might to some extent account for why more young migrants have been attracted to Copenhagen than to Oslo and Reykjavik but other factors might equally be important.

The female part of the populations in all three cities is younger than the male, yet the age does not seem to produce differences in family circumstances to the same extent as the skewed gender distribution when comparing the three cities.

3.2 Transnational family arrangements

Among the predominantly male population in Oslo it is quite common to have a spouse in Poland whereas this is less so in Copenhagen and Reykjavik.

Figure 2.2 Family situation of the Polish migrants in Copenhagen, Oslo and Reykjavik. N=1,443

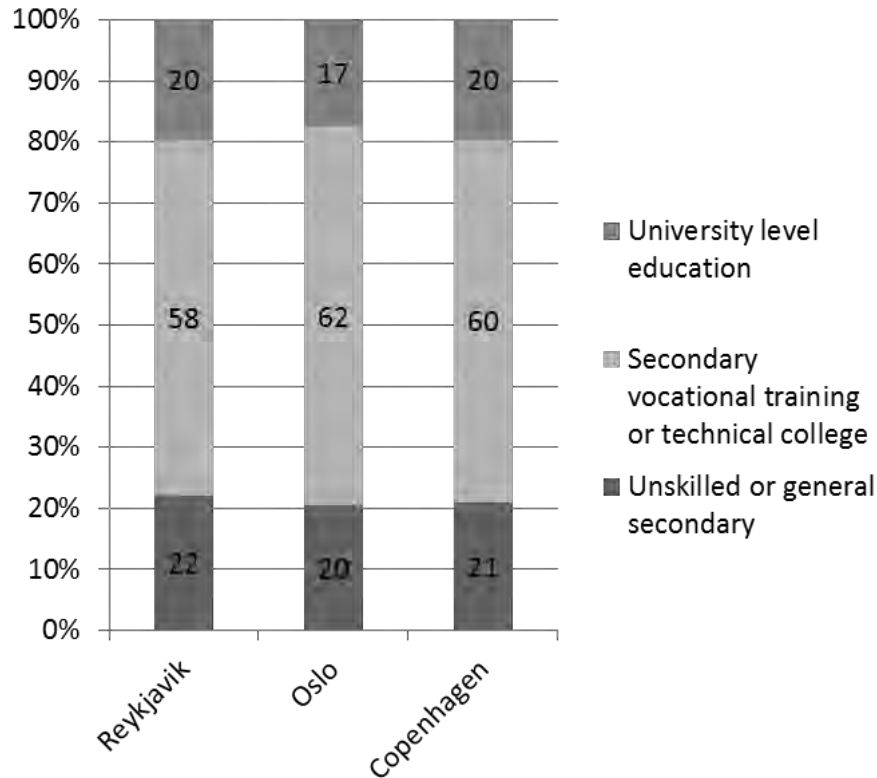


In fact, in Reykjavik very few Poles engage in this type of transnational family arrangements though almost 60% of the Poles have a partner (Polish or otherwise) living in the host country. The same goes for as many as 42% of the Poles in Oslo and 45% in Copenhagen. This means that the majority in all cities have their spouses with them in the host country. The kind of transnational commuting between work in the Nordic countries and family life in Poland that has often been associated with Polish migrants is not (any longer) the norm. About a third of the Poles in all three cities were single at the time of the interviews.

3.3 Education

Disregarding the fact that the groups going to the three Scandinavian cities is mainly labour related, and less related to for instance studying, they must in general be termed a rather well educated or at least skilled group. A minority of about 20% or slightly more report to have only general secondary education or no education at all, while another 20% or slightly less report to have completed higher education. The majority in all three cities report to have some kind of vocational or technical college training and thus fall in the middle group.

Figure 2.3 Educational levels among Polish migrants in Copenhagen, Oslo and Reykjavik. N=1,443



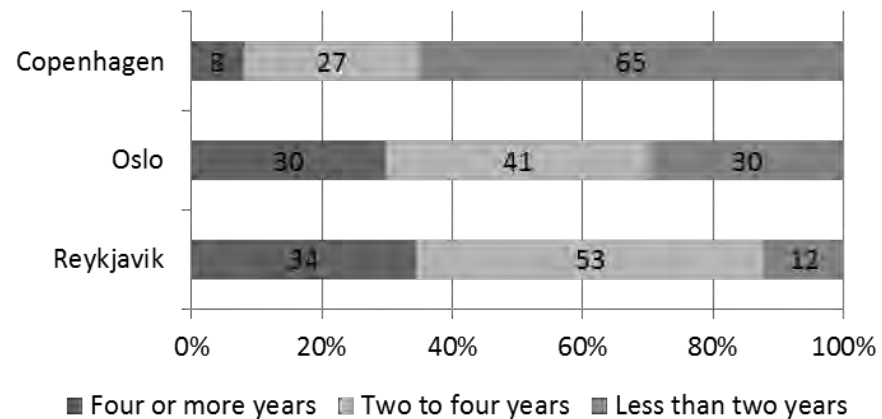
Based on the above description of the Poles main characteristics a pattern seems to be identifiable across the three different cities. The Polish populations are quite similar in terms of educational levels, being rather young and the fact that a majority have partners. The population in Oslo is characterised by having a large group of male workers who often have partners back home, while the population in Reykjavik is more evenly gender distributed and tend to have their partner residing with them in Iceland. The Polish population in Copenhagen is somewhat younger than the populations in Oslo and Reykjavik, but this does not seem to effect the family situation which is quite similar to that found in Oslo though fewer have partners residing in Poland.

3.4 Length of stay

However, this pattern should not be regarded as a static phenomenon. Rather, migration is essentially to be understood as a process involving not only various selection mechanisms but also a number of individual

decisions made by the migrants themselves. Although migrants might tend to be “selected” initially, research has demonstrated that they become less or differently “selected” over time during successive waves of migrants (Massey 1987). It is therefore of equal importance to consider the length of stay of the various populations as this might account for some of the differences in the characteristics among the groups and quite possibly be of importance for later analysis of their working and employment conditions.

Figure 2.4 Length of stay among Polish migrants in Copenhagen, Oslo and Reykjavik. N=1,443



Furthermore, the length of stay may also be an indicator of general differences in migration patterns found across the cities. In Oslo we found a large group mainly of men with spouses back home in Poland which might indicate the tendency for some groups to practice short term or circular migration. Some of these could be found among the 30% who have only stayed in Oslo for less than two years. In Reykjavik this tendency is somewhat different with more Poles having stayed longer and more having partners living in the host country. Circular migration might still be a possibility, but it is also possible that this is an indication of a movement towards more permanent residency.

The data on the Poles in Copenhagen was collected in 2008 whereas the data on the Polish populations in Oslo and Reykjavik are both collected in 2010. Accordingly, it is no great surprise that the population with the largest group of Poles staying less than two years is found in Copenhagen. Had the data been collected later this might very well have looked very different, i.e. more in line with the other two cities. However, this fact does not alter any successive analysis of the effect of the

length of stay on working conditions and language. In fact, by introducing this as part of the reason why differences in working conditions are found we include this very dynamic perspective of migration into the analysis in the later chapters.

4. Where do they work? Polish migrants' placement in the labour market

In this chapter we will take a brief look at where the Polish labour migrants tend to be placed within the labour markets of each city. In what kind of occupations and sectors are they employed? What kinds of employment relations and contracts do they have with their employers and clients? Is there a market for undeclared work? Do they perform work for private households as well as for regular firms? These are some of the questions that will be addressed in this chapter.

4.1 Industries and sectors

Sectors and occupation are divided into:

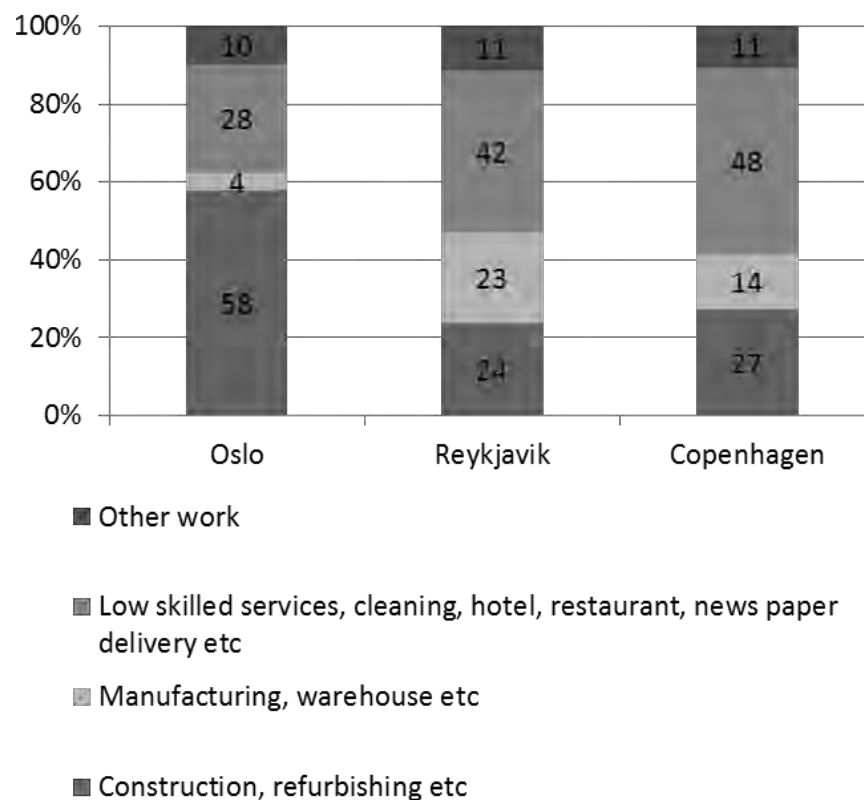
- *Construction*: Building and construction, including work for private clients
- *Manufacturing*: Industrial manufacturing, including warehouses and storages etc.
- *Low skilled services*: Cleaning for business and household clients; low skilled work in hotels and restaurants; kitchen work in canteens; newspaper delivery etc.
- *Other work*: Health care; kindergartens; drivers; cooks etc.

Labour shortages in modern industrial societies typically arise in the top end labour market for highly educated specialists, and in the bottom end labour market for low skilled work which native workers tend to avoid because of low status and unpleasant working conditions (Baghanta *et al.* 2006). Polish labour migrants to the Nordic countries are usually recruited to perform the latter, and they are typically found in a relatively narrow set of industries and occupations. Nevertheless, when comparing the sector-wise and occupational distribution of employment among Polish migrants in the three cities, we find significant variation. Oslo,

which has the largest population of Polish migrants, also has the strongest concentration of employment. The construction sector stands for the employment of 85% of male Polish migrants in Oslo, thus making it by far the most important sector of employment accounting for almost 60% of all employment among Poles in Oslo. Among the women, 76% are employed within low skilled services. This includes a few hotel maids and restaurant workers, but *cleaning* makes up the largest bulk. Many are employed in the regular cleaning industry, but Oslo also has a large market for domestic cleaning services, which provide an important labour market for Polish women. Only a small minority of women are employed in other kinds of work, such as kindergartens and health care.

Polish migrants in Reykjavik are found in slightly more diverse types of work. Like in Oslo, the construction sector is the most important labour market for Polish men, but many of them also work in the fish processing industry or other kinds of work. Polish women in Reykjavik are usually found in low skilled services, but this includes a more varied set of jobs than in Oslo. One major difference is that Poles in Reykjavik are often found in customer related services, such as waiting tables and sitting in the cash register and working in hotels, suggesting that lack of host country language skills does not exclude applicants from this type of work in the same way as it does in Oslo (where Swedish labour migrants are an important source of labour within low skilled customer related services).

Figure 2.5 Occupation/sector of employment. Polish migrants in Oslo, Reykjavik and Copenhagen. N=1,443



The occupational distribution of Polish workers in Copenhagen is more similar to Reykjavik than Oslo. Manufacturing is less important here, but both men and women are found in different kinds of low skilled services. A particular feature of the labour market for Polish migrants in Copenhagen is that many men are employed as news paper deliverers. But in Copenhagen as in the other two cities, it is the construction sector which employs the largest share of Polish men. Cleaning is the main occupation for Polish women in Copenhagen, but Polish women are also found in some types of customer related services and public health care.

Table 2.2 Sector/occupation according to gender. N=1,443

	Oslo		Reykjavik		Copenhagen	
	Men	Women	Men	Women	Men	Women
Construction	85	1	43	0	44	2
Manufacturing	6	1	28	17	17	10
Low skilled services	6	76	20	69	30	74
Other work	4	22	10	13	9	13
Total	100	100	100	100	100	100

All in all, we find the largest concentration of employment in Oslo, and the biggest variation of employment in Reykjavik, with Copenhagen in the middle. As we shall see, a similar pattern is found along many central variables.

4.2 Types of employment

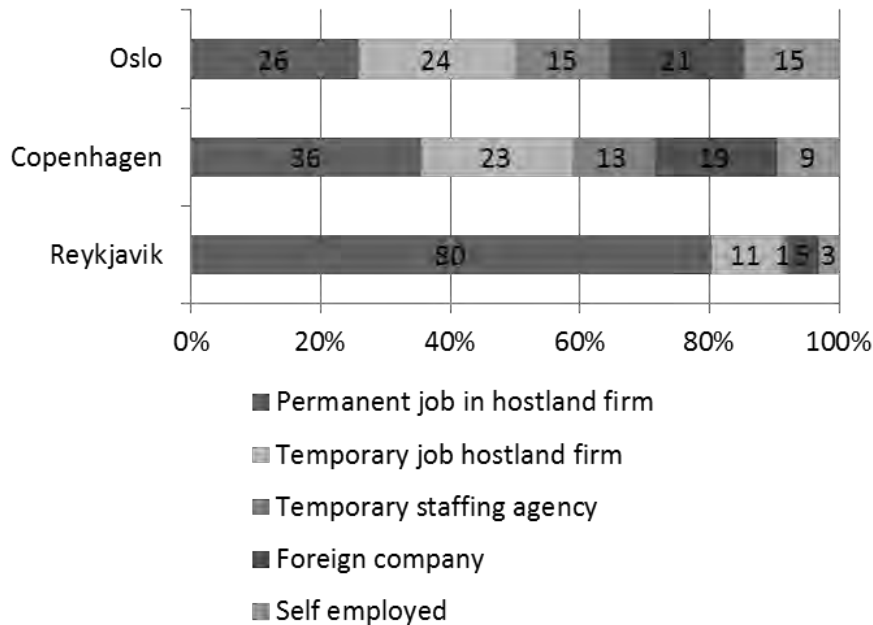
Within each sector of employment we may distinguish between different types of employment. Some forms of employment indicate that the workers are part of the core production within the industry. Other forms of employment indicate that their position within the production is more peripheral – they have a weak attachment to the labour market and they are primarily recruited to fill labour needs in peak periods or to perform work that does not require much on-the-job training or any strong connection to the firm. One common way to distinguish between core and periphery is to see whether they have permanent or temporary employment. The use of temporary employment is restricted in all the Nordic countries, although there are significant variations. The flexible firm model, developed by Atkinson (1984), can be a useful model for understanding different positions within the workforces of individual firms. This model distinguishes between a firms' internal workforce and its external workforce. According to Atkinson, flexible firms seek two main kinds of organisational flexibility – which gives rise to a dual labour market within firms. First, *functional or internal flexibility* refers to the ability to redeploy workers from one task to another. This type of flexibility is accomplished through strategies which empower workers to participate in decision making, enable them to work in teams, and enhance their commitment to the organization by, among other things, permanent employment, and access to training, and by linking their compensation to organizational performance. Second, *numerical or external flexibility* refers to the organization's ability to adjust the size of its workforce to fluctuations in demand by using workers who are not their regular, full-time employees. These peripheral workers have relatively weak ties to the organization, are generally hired for finite periods on an as-needed basis, e.g. through different forms of temporary employment, temp agency work, self employment and subcontracting. In the case of EU labour migrants it is also relevant to distinguish between workers depending on the nationality of their employer, because several aspects of their employment situation – such as taxes, wage determination, working conditions and employer responsibilities – are subject to different sets of regulations depending on whether they are regarded as indi-

vidual labour migrants (employed in host country firms) or posted workers (employed in foreign companies on temporary service assignments). In our analyses we will therefore differentiate between the following main kinds of employment:

1. Permanent employment within a host country firm.
2. Temporary employment within a host country firm.
3. Employment by a temporary staffing agency who hires its workers out to host country firms.
4. Employment by a foreign (usually Polish) subcontractor providing services to host country firms.
5. Self employment.

Permanent employment within a host country firm (1) is regarded as a standard form of employment, while the rest can be considered to be atypical in some way, and usually part of a firm's external workforce. Furthermore, employment by a foreign company (4) will usually entail that the employee is considered to be a posted worker. A temporary staffing agency may be based in the host country – in which case the employee is considered to be a regular labour immigrant – or in a foreign country – in which case the employee is considered to be a *posted worker*. In the following we have grouped foreign and domestic agencies together, since there are very few workers who are employed by foreign agencies in any of the three cities. Employees in temporary staffing agencies and foreign subcontractors may have either permanent or temporary employment. For all practical purposes, however, their employment can be regarded as temporary, since they usually only provide temporary assignments and no financial obligations to the workers in between, even if they have a so-called “permanent” contract with the agency.

Figure 2.6 Type of employment among Polish workers in Oslo, Copenhagen and Reykjavik. N=1,380



When comparing the three cities we find that the Polish migrants have very different patterns of employment. *In Reykjavik* 80% of the Polish workers are permanently employed within Icelandic firms. Only a small minority have some form of *atypical* employment. About 11% have temporary employment, while very few are employed in temporary staffing agencies or Polish subcontractors, or work as self employed. Temporary employment is most common within low skilled services, but even here, permanent employment is the norm for Polish employees. *In Copenhagen*, the pattern is very different: 36% have permanent employment within a Danish firm, while both temporary employment, employment through temporary staffing agencies and Polish subcontractor firms and self employment is common. There are some variations between industries. Employment through temporary staffing agencies is particularly common within manufacturing and warehouses, while Polish subcontractor firms are particularly common in the construction industry. *In Oslo*, even fewer among the Polish migrants have standard forms of employment: 26%. The construction sector employs Polish migrants through different kinds of atypical affiliations, while only 19% have standard employment. Self employment is particularly common among the Polish women who perform services in the domestic sector. In both Copenhagen and Oslo, however, those who are employed in “other kinds of work” are more likely to be permanently employed.

Table 2.3 Type of employment within different industries/occupations in Reykjavik, Copenhagen and Oslo. N=1,380

Industry/occupationType of employment	Construction	Manufacturing	Low skilled services	Other work
Reykjavik				
Permanent employment in hostland firm	84	88	72	91
Temporary employment in hostland firm	6	7	17	4
Employment in temporary staffing agency	1	4	0	0
Employment in foreign company	7	2	6	0
Self employment	3	0	5	4
Total	100	100	100	100
Copenhagen				
Permanent employment in hostland firm	34	22	37	49
Temporary employment in hostland firm	16	26	25	27
Employment in temporary staffing agency	1	38	12	8
Employment in foreign company	32	14	15	12
Self employment	17	0	10	4
Total	100	100	100	100
Oslo¹⁰				
Permanent employment in hostland firm	19	-	28	43
Temporary employment in hostland firm	26	-	24	23
Employment in temporary staffing agency	23	-	3	0
Employment in foreign company	26	-	12	20
Self employment	7	-	33	14
Total	100	-	100	100

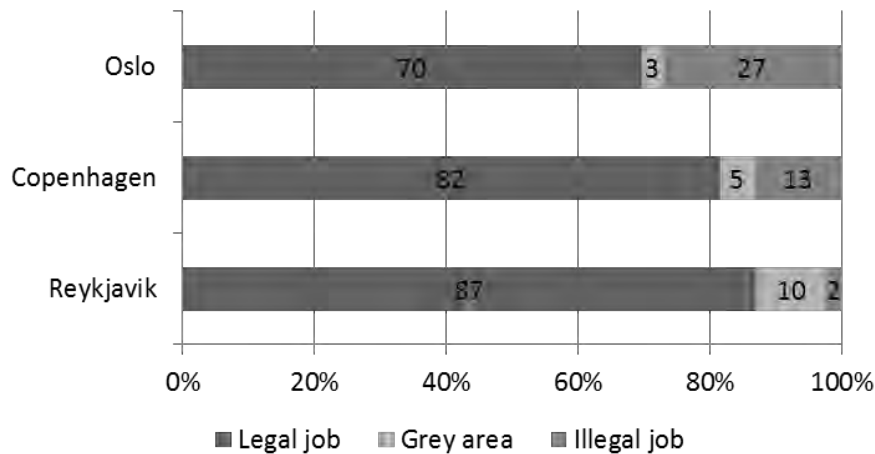
4.3 Legal status of employment

Finally, we may distinguish between those who work in the legal economy and are thereby included in social protection schemes and acquire basic social rights in their host country, and those who are found in the illegal or informal economy, and thereby usually remain excluded from any form of social protection. There are different ways of trying to measure the extent to which work is performed within the law but we chose to look at two basic sets of requirements: Whether or not the workers pay tax on their income and whether or not they have a written contract. Using these two basic criteria give us three categories. Those who pay tax and have a written work contract are defined as having a legal job (although this doesn't mean that all other aspect of the employment is legal). Those who don't pay tax and don't have a written contract are defined as having an illegal job, while those who either have a written contract or pay tax but not both, are defined as having a job in the "grey area". It should be noted that even if someone pays tax and has a written contract, there may still be

¹⁰ Manufacturing: This category includes too few observations to make reliable estimates.

plenty of legal irregularities with their work situation. Not paying tax and not having a written contract is at least a definite sign that the worker is found in the illegal labour market.

Figure 2.7 Legal status of employment (having a written contract/paying tax) of Polish workers in the three cities. N=1,380



Legal job: Has a written contract and pays tax.

Grey area: Either has a written contract or pays tax, but not both.

Illegal job: Does not have a written contract and does not pay tax.

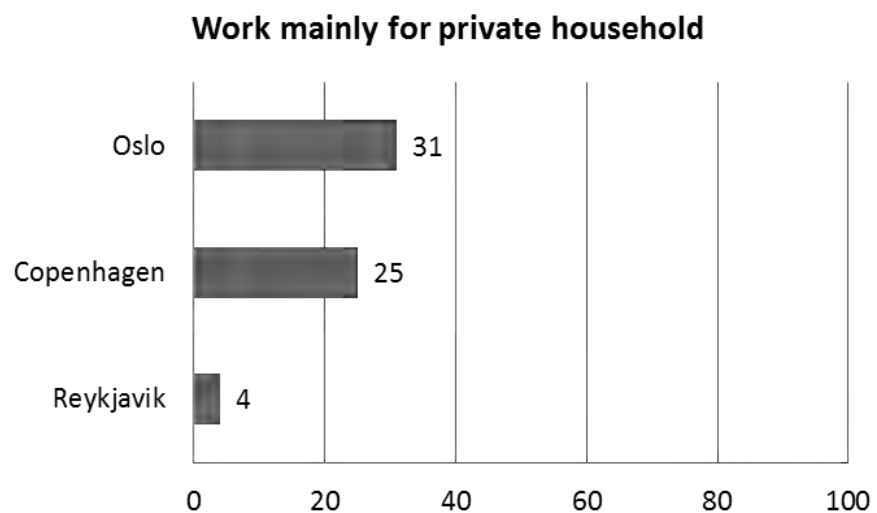
Once again we find significant differences between the three cities. Oslo has a substantial illegal labour market which employs between one fourth and one third of all Polish labour migrants. In Reykjavik on the other hand, hardly anyone report that they neither pay tax nor have a written contract. There are a few who report one but not the other, but we cannot be sure if this means that they work in the informal sector or not (there may be legal reasons why someone are exempted from paying tax and the lack of written contract may be temporary). Copenhagen does have a substantial informal labour market employing a number of Polish migrants, but their share is significantly smaller than in Oslo. In Copenhagen, illegal work is common in construction and to a much lesser extent in low skilled services. In Oslo, illegal work is also quite common in the construction sector, but even more so among those performing low skilled services – this is particularly related to a large market for cleaning services for private households.

There is also a strong connection between type of employment and legality, and despite the large overall differences between the three cities, this connection between type of employment and legality follows a similar pattern. In Reykjavik there is hardly any illegal work, except

among a small minority of those working as self employed. In Copenhagen, about one fifth of those employed in Polish firms and more than half of those working as self employed do so without paying tax or having any written contracts. In Oslo similar, although slightly higher numbers apply to employees in Polish firms and self employed, but in addition to those groups, more than a third of everyone who is temporarily employed by Norwegian firms work without paying tax or having written contracts. The illegal labour market of Oslo includes both individual workers, Polish and Norwegian firms.

Illegal work is strongly correlated to whether or not the worker provides services for private households or not. And as figure 2.8 shows, Reykjavik does not have much of a household sector to which Polish migrants can perform services, while both Copenhagen and Oslo do.

Figure 2.8 Share of workers who mainly do work for private household clients.
N=1,380



The connection between work for the household sector and illegal work is not the same in Oslo and Copenhagen, however. In Oslo, 62% of the workers who perform services in private households (57% of the construction workers and 71% of the cleaners) do so without paying tax and without having any written contract. In Copenhagen the corresponding number is only 34%. Unlike in Oslo where construction work for private households is often performed illegally, construction work for private households is no more likely to be performed illegally than other types of construction work in Copenhagen.

4.4 Characteristics of each sector in the three cities

Based on the indicators presented above as well as on other questions about the firms in which they are employed, their colleagues and the working environment, we present a brief overview of the typical characteristics of employment among Polish migrants in the three main industries in the three cities. As this overview shows, there are both similarities and differences across both cities and industries.

The construction sector: In Reykjavik, most Polish construction workers have regular permanent employment in Icelandic firms and they primarily work alongside Icelandic colleagues. The household sector is not an important market for Polish construction workers and there is hardly any informal market for construction work. In Copenhagen Polish construction workers have several different kinds of employment relations, and they work both alongside Danish and other Polish colleagues. Although regular permanent employment is quite common, the majority has some kind of atypical work arrangement, including work through Polish subcontractors and temporary staffing agencies. There is a significant market for construction services to private households, and there is also a significant market for undeclared informal work. In Oslo atypical employment dominates among construction workers and they usually work alongside other Polish workers rather than with Norwegian workers, indicating a more strict ethnic segregation of the workforce. The private household market is an important source of employment for Polish construction workers in Oslo and there is also a large informal sector. In all three cities, the construction sector employs almost only male Polish workers.

Manufacturing: Fish processing in particular is an important labour market for Poles in Reykjavik, and employs both men and women. In manufacturing, Poles in Reykjavik have regular permanent employment, but they work separately alongside other Poles to a larger extent than in construction. In Copenhagen, Polish manufacturing workers – predominantly male – usually have some kind of atypical employment, but they work more often alongside Danish or non-Polish immigrants. There is no market for undeclared work in manufacturing in either city. In Oslo, manufacturing employs very few Polish workers.

Low skilled services: In Reykjavik this includes several different kinds of occupations, including cleaning, customer related services and hospitality. Most workers have regular permanent employment, although temporary contracts appear to be slightly more common here than in other sectors in Reykjavik. Polish workers in low skilled service tend to

work in a mixed environment. In Copenhagen, low skilled services also include several different occupations, but customer related services appears to be less common here than in Reykjavik. Low skilled services employ both men and women – quite a few men have found employment in news paper delivery and similar postal and distributions jobs. There is no substantial market for domestic services in this sector in either Reykjavik or Copenhagen. In Oslo, low skilled services are dominated by cleaning which mostly employs women and there is a large market for informal domestic services.

As this brief overview shows, most Polish migrants are recruited to perform semi- or low skilled work in all the three cities. However, it appears that Poles in Oslo to the largest extent are concentrated into specific sectors and segments of the labour market, usually working only alongside other Poles, and they also have the weakest connection to their employers in terms of predominantly atypical and widespread informal employment. The same pattern can be observed in Copenhagen, although to a somewhat lesser extent, while Poles in Reykjavik are found in more regular and more varied types of occupations and more regular terms of employment.

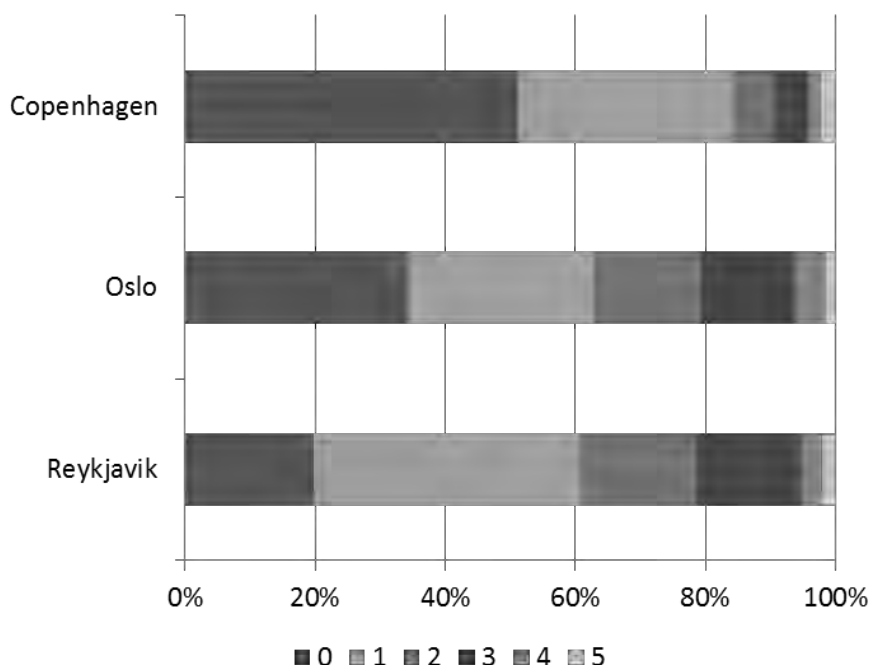
5. The language of work

When immigrant integration is discussed in the Nordic countries, knowledge of the host country language is often pointed out as a key factor, and weak language skills are often seen as one of the main obstacles to employment for immigrants. It may therefore appear as somewhat of a paradox that since 2004, hundreds of thousands of citizens from the new EU member states in Central and Eastern Europe have managed to find employment in the Nordic countries – usually without knowing a single word of the host country language. And unlike the case for other immigrant groups, language acquisition is rarely emphasized as a policy goal in relation to new labour migrants in any of the Nordic countries. Nevertheless, it seems obvious that language skills are important for the opportunities and adaptations of recent labour migrants in host country labour markets and societies. In this chapter we will take a closer look at the language skills of the Polish workers, what language they usually speak in the workplace, and whether or not they have access to language training.

5.1 Language skills

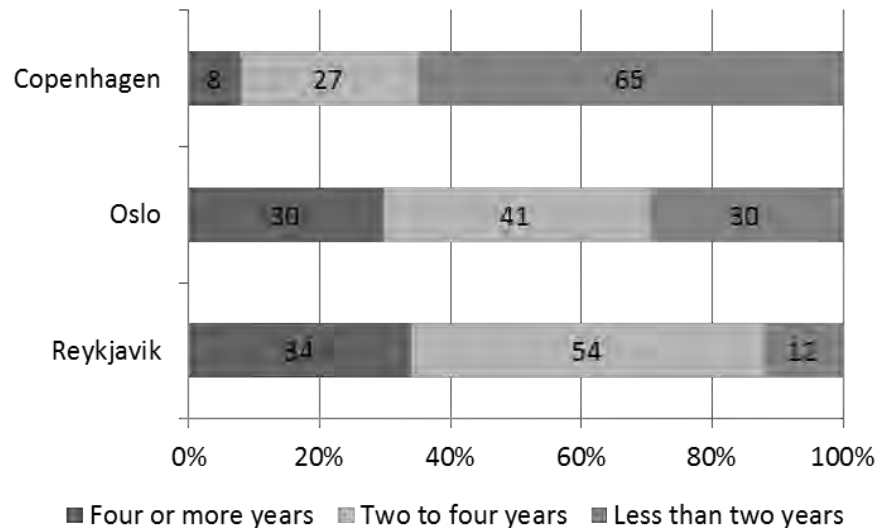
As a linguistic group, the Nordic languages are relatively small. Very few Polish migrants will have any knowledge about the Nordic languages before migration, and any knowledge that Polish migrants staying in the Nordic countries may have, they will usually have acquired after arrival. The respondents in the survey were asked to rate their own language skills in either Danish, Norwegian or Icelandic, on a scale from 0 to 5, where 0 means “not at all”, 1 means you understand some basic words, and 5 is being able to speak and write freely without problems. As could be expected, most of them rate their language skills to be very limited or non-existent. Only a minority of about 20% in Oslo and Reykjavik and 10% in Copenhagen rate their skills in the host country language to be three or better on this scale.

Figure 2.9 “On a scale from 0 to 5, where 0 means “not at all”, 1 means you understand some basic words, and 5 is being able to speak and write freely, how well would you say you know Danish/Norwegian/Icelandic?” N=1,443



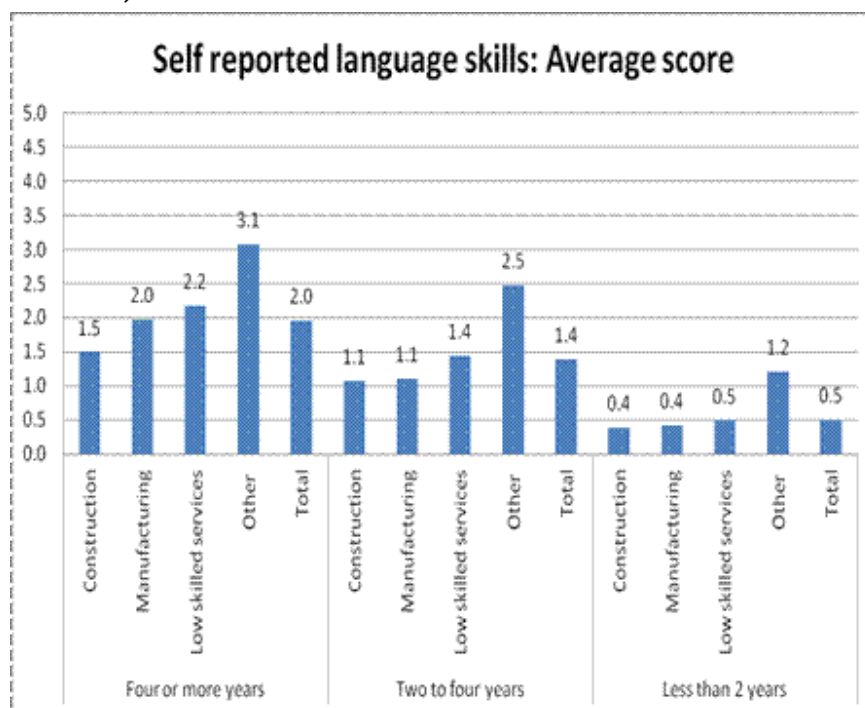
But there are significant differences. Poles in Reykjavik generally rate their skills in Icelandic language to be slightly better than Poles in Oslo do their skills in Norwegian, who in turn rate their skills better than the Poles in Copenhagen. The explanation for this difference lies in the fact that the Polish migrants have substantially different length of stay in Denmark, Norway and Iceland. The Copenhagen survey was conducted in 2008, when large scale Polish labour migration to Denmark was a relatively new phenomenon, so at the time of the survey, the majority of respondents had been in Denmark for less than two years, as shown in figure 2.10 Both the Oslo and Reykjavik surveys were conducted in 2010, when more workers had gained longer experience in Norway and Iceland. However, in Reykjavik very few have arrived after the financial crisis in 2008, so Polish migrants in Reykjavik had on average stayed there longer than they have in Oslo.

Figure 2.10 Length of stay among Polish migrants in Copenhagen, Oslo and Reykjavik. N=1,443



Thus, when we compare language skills according to length of stay, we find – as one would expect – that the Polish migrants generally rate their own language skills to be better the longer they have stayed in the host country. When we take account of the fact that the migrants at the time of the survey on average had stayed longer in Reykjavik than in Oslo and even longer than those in Copenhagen, there are practically no differences in self reported language skills in the three cities, once length of stay is controlled for. So far, there are few surprises in our findings. When we look at the total score according to length of stay, we find that those with less than two years in the host country on average rate their skills to be 0.5. Those with between two and four years in the host country rate their skills to be on average 1.4, while those with four or more years score 2.0. However, when we compare language skills across industries, we find an interesting pattern. There seems to be systematic differences in language skills between workers in different sectors – even when we take account of the time they have stayed in the host country. Figure 2.11 shows the average score reported by workers in different industries grouped according to how long they have resided in the host country.

Figure 2.11 Average scores on self reported language skills according to industry and length of stay. Polish workers in Copenhagen, Oslo and Reykjavik combined. N=1,441

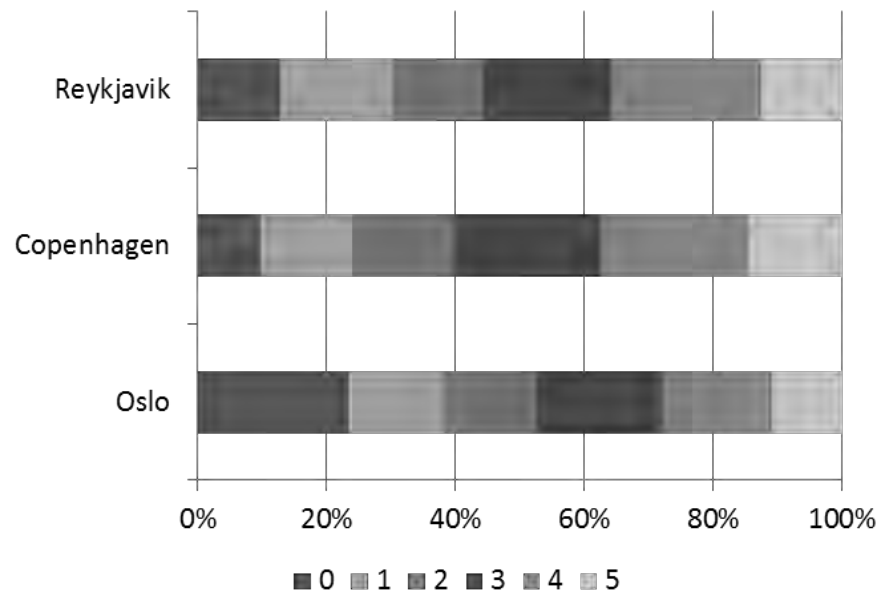


Construction workers with four years or more in the host country only rate their skills at 1.5. Workers in manufacturing with the same length of stay score 2.0, while low skilled service providers rate their skills at 2.2 and those in the “other work” category rate their skills at 3.1. This effect is systematic, and it seems to be even stronger than the effect of length of stay. There are two different ways of explaining these differences. There may be a selection effect: Those who have better language skills tend to seek employment in different industries than those with more modest language skills. Or there may be a learning effect: Those who work in some industries have better opportunities for practicing and learning the language – either through formal language courses or on-the-job practice. The selection effect is difficult to measure using our data, but it is reasonable to assume that both mechanisms are in operation and will tend to work mutually reinforcing.

5.2 English skills

Language skills in the host country language are of course not the only language skills that matter. Many Polish migrant workers know some English, reflecting the fact that Poland started teaching English as a second language in the early 1990s, rather than Russian which was taught during communist rule. Here we find slight differences between the three cities.

Figure 2.13 Self-reported language skills in English, on a scale from 0 to 5.
N=1,443



Polish migrants in Copenhagen appear to have slightly better English skills than Polish migrants in Reykjavik, who in turn have slightly better language skills than Polish migrants in Oslo. This, however, primarily reflects differences in the sectoral and gender distribution of Polish immigrants in the three cities. Women report to have slightly better English skills than men – reflecting that they often have higher education. And those working in traditional male occupations, such as construction in particular and manufacturing to a lesser extent, report to have less English language skills than those working in service occupations or in other industries. That almost 40% of Polish migrants in Oslo – compared to less than 25% in Copenhagen – report to have no or only rudimentary understanding of English reflects the fact that male construction workers (who often have less education and who typically

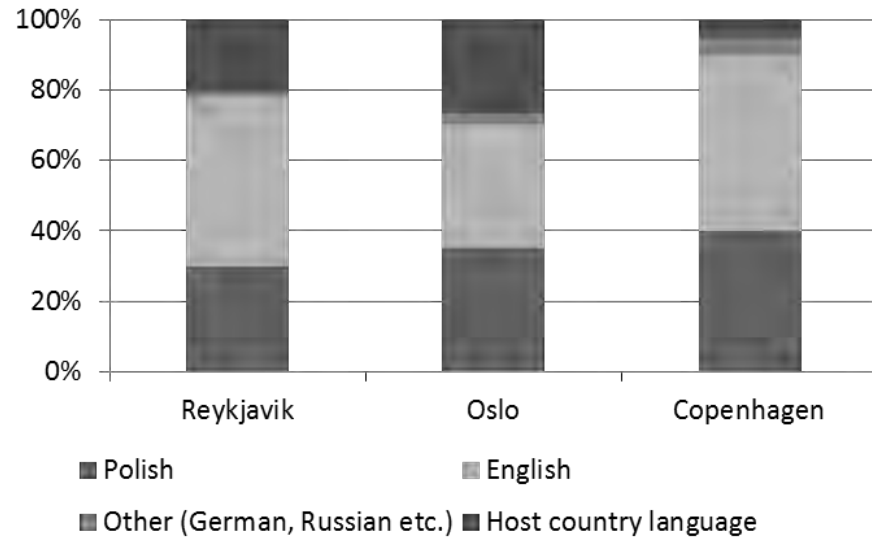
work in segregated Polish niches) make up a larger share of the population in Oslo, and that Poles in Copenhagen tend to be a little younger than those in Oslo.

5.3 A linguistic division of labour?

Recent Polish labour migrants to the Nordic countries may lack the basic Nordic language skills often thought to be needed in order to enter the labour market, but they usually have another resource: connections to other migrants who can help them. Almost every respondent in the three surveys reported that they knew someone staying in the host country before arrival, and many of them used these connections to find employment. As the migration process moves forward, transnational networks of friends, family members and colleagues expand, giving increasing numbers of potential migrants in sending countries a gateway into jobs in receiving countries. Such migrant networks are powerful because they also serve the interests of employers. In the absence of secure knowledge about how to recruit the best workers they must often rely on their existing employees to vouch for the suitability of their friends and relatives. As long as there is a demand for labour, migrants therefore tend to cluster in certain niches of the labour market. Over time this may give rise to segments in the workforce where everyone speaks the same foreign language – thereby effectively excluding other groups from entering (Waldinger & Lichter 2003). Employers may respond by organising work through separate teams according to language, using bi-lingual foremen and translators. Such a process may give rise to a linguistically segregated working life, where natives and migrants work in different teams, in different kinds of jobs and perform different kinds of tasks depending on their national background, and where opportunities for on-the-job language training and socialisation across ethnic boundaries remains limited. The language most commonly used at work may indicate how far this process has evolved.

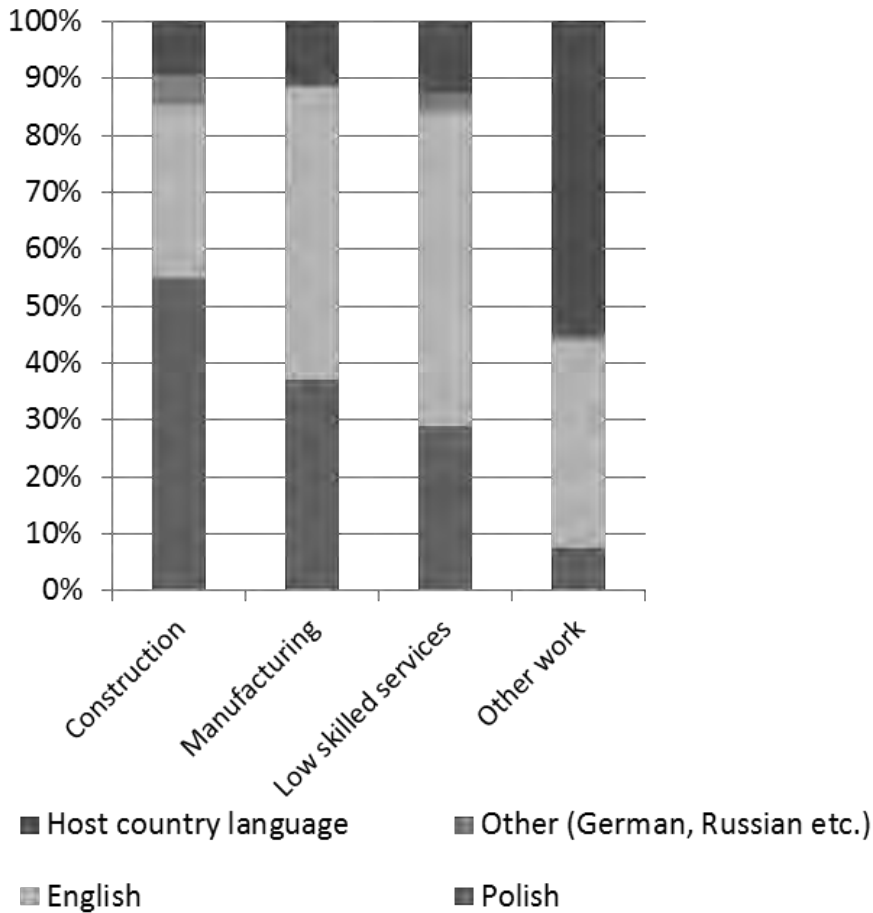
When asked which language they primarily speak at work, we find that between 30 (in Reykjavik) and 40% (in Copenhagen) of the respondents only speak Polish at work: a clear indicator that many work in what we may call Polish employment niches – since natives in the Nordic countries rarely know Polish. Most of the remaining respondents report that they usually communicate in English at work – suggesting that they interact more with non-Polish co-workers or clients, but that there may still be some limitations to the types of work they can perform. Only a minority say that they use the host country language at work.

Figure 2.14 Which language do Polish migrants primarily use at work in Reykjavik, Oslo and Copenhagen. N=1,093



The three cities are quite similar in this pattern – except for the fact that very few Poles in Denmark report to speak Danish at work. However, when we compare different industries we find more significant differences in the extent to which the migrants rely on communicating in Polish, English or the host country language. In the construction industry, more than half only speak Polish at work, indicating highly segregated work organisations. The exception is Reykjavik, where most construction workers rely on English. In manufacturing, a significant minority of more than 35% rely on speaking Polish at work (once again Reykjavik stands out but this time by having more workers relying on Polish at work than in the other cities). In low skilled services, English speakers outnumber those who speak Polish at work in all three cities. In other industries, however, more than half report that they use the host country language (here, Copenhagen is the exception: most employees in other industries speak English at work).

Figure 2.15 Which language do Polish migrants primarily use at work, according to industry? N=1,093



The fact that many migrant labour intensive industries have adapted by establishing niches of employment where migrants can get by only using their native tongue or at best English, can help explain why it has been possible to absorb such huge numbers of Central and Eastern European labour migrants in the Nordic labour markets in such a short period of time. It can also explain the concentration of employment among the migrants found in most of the Nordic countries, because there are only some types of work where such adaptations are possible. In construction and manufacturing, as well as many non-customer related low skilled services, it is possible to organize separate teams of Polish workers as long as they are plenty in numbers. In customer related services, public care, different kinds of support functions and many other types of work, this is far more difficult to accomplish, which in turn makes it difficult to recruit large numbers of migrant workers.

There seems to be some interesting differences between the three cities in this regard. The low skilled services category includes both customer related services and non-customer related services. However, in Oslo, very few Polish migrants are employed in customer related services. Hotels, restaurants and retail shops employ tens of thousands of Swedish youth, whose language is similar to Norwegian, and it is reasonable to assume that Polish migrants are unable to compete with them as long as they do not master a Scandinavian language. The situation seems to be quite similar in Copenhagen where very few Poles work in customer related services. In Reykjavik, on the other hand, quite a large number of Poles work in customer related services in hotels, restaurants and retail shops, and they usually report that they speak English at work. This pattern is probably best explained by the economic boom years before the crisis, when labour shortages in the low skilled service industry led to an acceptance for the use of English in customer related services in shops and restaurants. Once customers and employers had accepted English as a working language in the services industry, a whole new range of occupations were open to Polish migrants who were fluent in English. This may help explain why Poles in Reykjavik generally seem to have a more diverse employment pattern than in the other cities

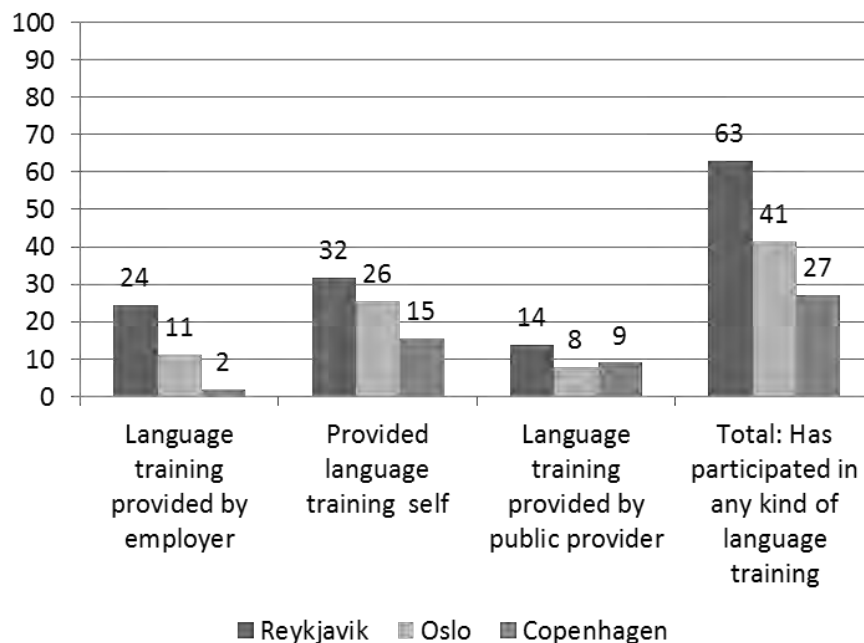
5.4 Language training

Language training for immigrants has over the last decade become a pillar in the integration policies towards refugees and humanitarian migrants in all the Nordic countries. In all three countries, newly arrived refugees have both the right and a duty to participate in state financed language training. EU labour migrants, however, do not have similar rights regarding state sponsored language training in Norway, while they can attend municipal language training courses in Denmark.¹¹ In

¹¹ At the time the survey was conducted in Copenhagen all foreigners above the age of 18 with a personal registration number in Denmark had the right to three years of Danish language training according to the law on Danish language education for adult foreigners from 2006. The training modules was to be provided by the local municipalities. In 2008 it was estimated that about a third of the municipalities had offered language training to foreigners (Rapport fra arbejdsgruppe omdanskuddannelse for voksne udlændinge 2009). During 2009 the law on Danish language education for adult foreigners was debated and changed. Thus, from July 2010 all foreigners above 18 have the right to a labour market oriented introductory Danish language course of 250 hours in addition to the three years already established. This right also includes commuting labour. The courses are free of charge when offered by the municipalities.

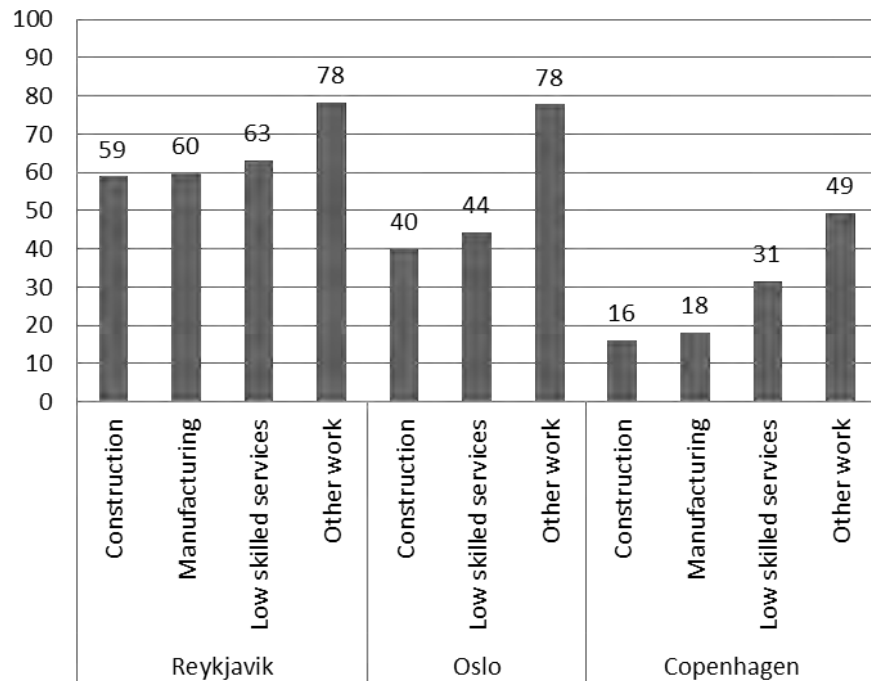
Norway, Polish migrants may take language classes from private or public courses, but they will usually have to pay for it themselves. In Iceland likewise, Polish migrants can attend language classes at both private and public language schools but the employer may pay partially for the language course as well as the trade unions. Language courses are, however, free of charge for those who are registered unemployed. In all three countries public documents emphasize the responsibility of employers to provide any language training they see necessary.

Figure 2.16 Share of Polish migrants who have participated in language training – combined and according to provider – in Reykjavik, Oslo and Copenhagen. N=1,447



As figure 2.16 shows, Polish migrants in Reykjavik are much more likely to have participated in some kind of language training than Polish migrants in the other cities. Poles in Copenhagen are least likely to have taken courses. This pattern remains significant even after controlling for length of stay (except for one little quirk: Poles who arrived in Reykjavik after the crisis haven't taken courses at all...). This may be a result of selective return migration: many Polish migrant workers left Iceland after the crisis, and it seems reasonable that those who had invested in language training would be overrepresented among those who stayed.

Figure 2.17 Share of workers participated in language training according to industry of employment in Reykjavik, Oslo and Copenhagen. N=1,380



But there is also a clear pattern when we compare language training to industry of employment. Construction workers are generally the least likely to take courses, while those in other work are generally most likely.

5.5 Conclusions

Regarding language acquisition there seem to be some general differences between the three cities. Polish migrants in Reykjavik appear to have the best host country language skills as well as being most likely to have participated in courses, while Poles in Copenhagen appear least likely to take courses and have less host country language skills. However, this pattern is primarily explained by differences in length of stay.

There are, however, differences between industries that cut across the three cities. In construction and industrial manufacturing, there is a high degree of linguistic segregation where Poles work with other Poles and speak Polish at work. This is in turn related to lower rate of language learning, and lower rates of participation in training courses (either because of low motivation or low availability). Low skilled services is a kind of linguistic hybrid niche, as most workers have to speak Eng-

lish at work, and their host country language acquisition is also better. Workers outside the main Polish segments – those in the “other” category – are to a far greater extent linguistically integrated into the host country working environment in all three cities.

The establishment of linguistically segregated employment niches, such as in construction and some parts of industrial manufacturing, has some implications which may shed light onto the process of labour migration itself. First of all, linguistically defined niches in the labour market make access to jobs much easier for new migrants. If workers had to communicate in the host country language it would obviously be much more difficult for new migrants to access employment. Once a “Polish” niche in the workforce exists, and everyone in it speaks Polish, a Polish worker can be recruited directly from Poland and start working the next day. His colleagues will all be Polish and they will have a foreman who can convey orders and communicate with clients and other work-teams. Without such organisational accommodation large scale labour migration would be impossible. However, our findings show that work within such niches may slow down the process of language acquisition, because they will have less opportunities and incentives to practice their language skills. Lack of language skills obviously narrows down the range of possible opportunities in the labour market, which in turn may make them very vulnerable in times of economic turmoil. This may explain why Polish migrant workers in general have displayed relatively high rates of unemployment in the period after the financial crisis.

6. Wages

Wages are of central importance for the assessment of the overall working conditions of Polish labour migrants in Oslo, Copenhagen and Reykjavik, and they have been at the forefront of political debates about the effects of labour migration and of “social dumping”. The willingness of Eastern European workers to accept wages far below the normal standards of the countries they travel to – simply because their alternative options are far worse than for natives – is the most perhaps tangible indicator of the potential gain for employers engaging in social dumping. The purpose of this chapter is to describe the general wage levels received by Polish migrant workers in the three cities and explore factors that are associated with particularly low wages. However, the average wage levels differ considerably between the Nordic countries, with Norway on top with an average wage level double that of Iceland, and with Denmark somewhere in the middle. This has several implications for labour migration. First of all, higher wage levels make countries more attractive as destinations for labour migrants. Second, higher wage levels leave greater scope for wage dumping, because employers can offer terms which are substantially below national standards but still remain attractive to migrants. Third, higher wage levels – and thereby also price levels – increase the migrants’ incentive for trans-border activities, such as temporary and circular mobility, commuting and sending remittances, and at the same time increase the relative fall in economic status experienced by migrants who settle down more permanently. These general differences in wages and price levels between different destination countries are therefore important for understanding the different adaptations of both migrants and employers. In the following we analyse the self-reported wages of the Poles in the three surveys. First we briefly report the average wage levels of the Polish workers in the currencies of the country they work in, as well as the distribution. As the currencies are different between cities, these figures have little comparative value. Therefore, we proceed by computing and reporting measures that make comparison more accessible. This includes measuring the hourly wages in absolute terms (Zloty), in relative terms (in percent of national average wages), and in terms of purchasing power. By applying this approach, we can compare how attractive the

different destinations appear as seen from Poland, how Polish migrants are placed within the wage hierarchy of the host labour market, and how profitable work in the different cities is in terms of the absolute living standards it can provide. We then proceed to analyse the specific wage levels within the construction industry in the three cities, in order to get a better grip on how the wages of Polish migrants are related to specific industry standards. We perform this final analysis for the construction industry only because the other sector categories we are using are much more heterogeneous and constructed in a way that makes it very difficult to obtain data on general industry standards to compare with. Table 2.4 reports the average, minimum and maximum wages found in the three cities.¹²

Table 2.4 Average wages in national currency

	Reykjavik	Oslo	Copenhagen
Average hourly wage	1,203 ISK	142 NOK	116 DKK
Minimum	532 ISK	30 NOK	24 DKK
Maximum	3,721 ISK	372 NOK	257 DKK
Cases (N)	231	289	442

These figures are, however, only of limited use for cross country comparison due to differences in currencies, wage levels and price levels. Thus three other variables have been calculated to make comparison more meaningful.

¹² In the survey respondents had the possibility of reporting their wages in either the currency of the country they work in or zloty, depending on how they were paid. In the same way, respondents have had the opportunity of reporting their wages in hourly or monthly wages. In all three surveys most respondents have reported their wages in the currency of the host country and in hourly wages. However, there are a number of respondents that have been paid in monthly wages, in zloty or both. Thus, to compare wages we have tried to calculate the hourly wages for all respondents in the currency of the country they worked in and several transformations have been produced. First, wages paid in zloty were converted into the host country currency by using the average exchange rate (with two decimals) for the year of the survey (40.64 Icelandic Krona for 1 Zloty in 2010, 2 Norwegian Kroner for 1 Zloty in 2010 and 2.13 Danish Kroner for 1 Zloty in 2008). Second, monthly wages have been transformed to hourly wages by dividing the monthly wage with 4.3 (the approximate average number of weeks in a month) as well as the number of hours the respondent reported to have worked the week before the survey. This transformation may introduce a bias, as the number of hours worked per week may vary. Especially when respondents have just returned from holiday, they may report very few hours *last week* but a salary that corresponds to a full working week. In one case this was clearly the situation, as a respondent reported a working week of 4 hours and a monthly salary of 60.000 Norwegian Kroner. Yet one other example of an enormous hourly wage due to the way of calculating was found, and both were changed to non-responses, but generally it did not cause systematic biases. Apart from the two cases mentioned, the wages reported in monthly wages do not seem to deviate from those reported by respondents getting hourly wages.

6.1 The Poles' position in the Wage Hierarchy

A major theme in discussions about social dumping is whether or not migrant workers are paid (substantially) less than native workers. Because native workers have substantially different wage levels in the three countries, we had to compute the wages of Polish migrants as measured in percentages of the national average hourly wages of the country they work in. We have used Eurostat data on mean net income (ilc_di05) in the selected years and average working hours per week (lfsq_ewhun2) – both for employed people. As Eurostat provides only annual mean income, we have divided this by 47 working weeks and the average number of hours worked per week in the respective countries. Clearly, this calculation does not provide us with a perfect estimate of the relation between the wages of Poles vis-à-vis national workers. There are a number of issues regarding variability of sectors, working time, geography, etc. But it has the virtue of giving us a comparable measure across time and country, which serves as an indicator of the Polish workers position in the national wage hierarchy.

Table 2.5 Wages of Polish migrant workers as percentage of national average

	Reykjavik	Oslo	Copenhagen
Average wages in % of national average	57%	65%	85%
Confidence 95%	54–59	63–67	84–88
Minimum %	24	14	18
Maximum %	171	174	196
Cases (N)	231	289	442

Calculated in this way, the data shows that there is a substantial and significant difference between the positions of Polish workers in the wage hierarchy depending on the city they live in. Table 2.5 shows that on average Poles working in Reykjavik receive only 57% of the average wage of native wage earners, whereas the same number is 65% for Poles working in Oslo and 85% for Poles working in Copenhagen. These are major differences, and should immediately call for reservations.¹³ Nevertheless, the

¹³ First, we need to emphasize that the way the data is calculated has potential pitfalls and that these numbers should not be taken as exact estimates of the percentages that the Poles are receiving. For example, an analysis comparing the Danish Polonia data with national wage statistics found slightly different estimates (Arnholtz and Hansen, 2013) Second, the same analysis showed that comparing the average wages of Poles with the wage levels within the sector they were working in reduced the difference between Poles and Danes – at least in some sectors. The same trend would properly be true for the other cities. Thus, the wage gap

data is calculated in a similar way for all three cities allowing them to be used as a means of comparison, and they are important because they are the best indicator we have of the potential for wage dumping.

The results show clearly that Poles working in Copenhagen are placed far better in the wage hierarchy than Poles working in Oslo, and that Poles working in Reykjavik receive particularly low wages compared to native workers. We will return to the potential explanations for these differences later. It is, however, worth mentioning at this point that their perceptions about their placement in the wage hierarchy does not differ significantly. When asked whether or not they thought that they earned wages equal to native workers in similar jobs, the majority responded no in all three countries.

6.2 Wages measured in Zloty

Polish migrants who send or intend to spend their money in Poland rather than in their host country may be less concerned with their relative wages vis-a-vis natives, or the purchasing power it brings in the host country, than with how much their earnings will buy them in Poland. A second useful measure is to convert all wages into Zloty. This is done by using the same exchange rate as used to transform wages in Zloty into national currencies – that is, the average exchange rate for the year of the survey. This gives a good indication of the value of wages for Polish workers planning to go back to Poland. The result of this conversion is reported in table 2.6.

Table 2.6 Average wages in Zloty

	Reykjavik	Oslo	Copenhagen
Average hourly wages in Zloty	30 Zl	71 Zl	54 Zl
Confidence 95%	28–31 Zl	69–73 Zl	53–55 Zl
Minimum	13 Zl	15 Zl	11 Zl
Maximum	92 Zl	186 Zl	121 Zl
Cases (N)	231	289	442

Measured in Zloty, Poles are definitely worst off when working in Reykjavik. It is also interesting to note that the relation between Oslo and Copenhagen has changed. Poles working in Copenhagen were significantly better placed in the Danish wage hierarchy, but the Poles working

between Poles and native workers would most likely be reduced if we had data that to a greater extent allowed us to take the types of jobs into account.

in Oslo get the highest amount of money. This shift is caused by the much higher average wage in Norway, which places the Poles lower in the wage hierarchy even though they actually receive better wages.

The conversion to Zloty allows us to compare the wages which the Poles receive in the three cities with those they received at home. We have calculated the hourly wages that the Poles obtained at home. The results are reported in table 2.7. The figures have been calculated in the same way that we did for the wages obtained when working abroad, converting monthly wages into hourly wages by using their self-reported working hours. Thus the same sensitivity to the reported working hours applies. However, there is an additional issue in comparing the wages received in Poland with those received abroad. Some of the Poles have been working abroad for some time, and the difference in wages can in part be explained by increasing seniority and increasing skill levels. However, the differences in the wage in Poland and the actual wage they receive in the three cities do give a clear impression of the improvement in wages that the Poles experience by travelling abroad for work.

Table 2.7 Wages while working in Poland (before emigration to current host country)

	Reykjavik	Oslo	Copenhagen
Average wages in Zloty	15	18	12
Confidence 95%	13–17	16–21	10–13
Minimum	1	1	1
Maximum	80	130	116
Cases (N)	231	289	442

The results show that moving abroad has ensured most Polish workers a far higher salary than they could hope for in Poland, as the average wages of the Poles in all the three host country capitals is much higher than what they received in Poland. The differences between the three cities nevertheless remain. To be precise, while getting “only” twice as much when working in Reykjavik, Poles working in Oslo and Copenhagen get average wages that are around four times as high as in Poland.

Finally, it is also interesting to observe that there are slight, but significant differences in the average wages obtained in Poland before travelling abroad. On average Poles working in Oslo received higher wages in Poland than Poles working in the other cities. Some of this may be explained by the time displacement of the survey (those being surveyed in Oslo in 2010 having on average experienced two years extra wage increases before leaving than those in Copenhagen), but it may also tell us something about the qualifications and expectations that these groups bring with them. In sum, the comparison between wages earned in Poland and wages earned abroad clearly shows the monetary benefits

that the Poles obtain. However, this benefit is in part conditioned on the Poles using their earnings in Poland. The wages they earned in Poland should be compared with Polish price levels, whereas this is only true for wages earned abroad if the money is saved and spent back in Poland. Not all Poles, however, want to return home and even if they do, they still have to get by while living in their host countries. Therefore yet another measure is needed: the purchasing power they obtain by working and living in the three different cities.

6.3 Wages measured in Purchasing Power

While their absolute wages tell us something about the value of their earnings in Poland and their placement in the national wage hierarchy may tell us something about their position in the host countries' economy, their wages measured in purchasing power can tell us what they can actually buy when living and working in the new country. To get an estimate of this, we have used OECD data on the comparative price level to develop a factor that allows us to take differences in price levels into consideration. We use OECD data for the years the surveys were conducted (2008 for Copenhagen, 2010 for Oslo and Reykjavik).

Table 2.8 Purchasing power – comparable with Polish wages

	Reykjavik	Oslo	Copenhagen
Hourly wages in purchasing power	16	29	27
Confidence 95%	15–17	28–30	26–27
Minimum	7	6	5
Maximum	50	77	59
Cases (N)	231	289	442

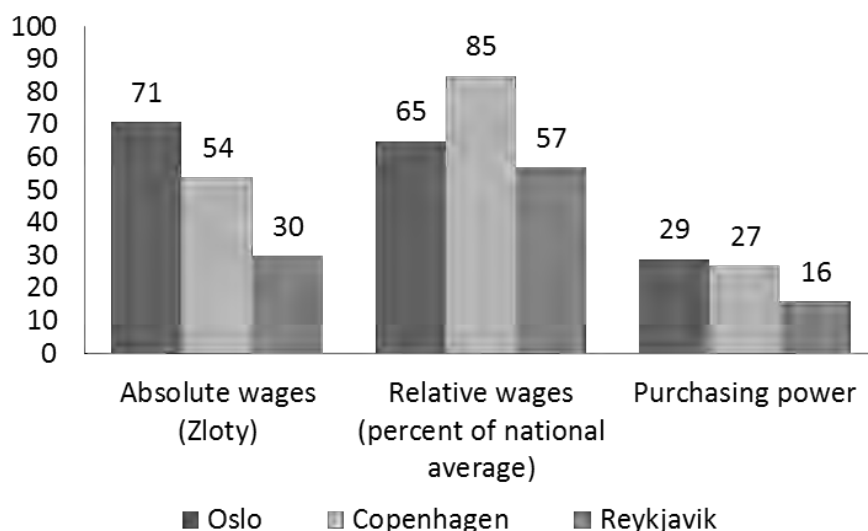
The factors to divide the wages with are 2.04 for Denmark, 2.42 for Norway and 1.83 for Iceland. The results are reported in table 2.8. Compared with tables 2.6 and 2.7, it clearly shows that the monetary benefits of working abroad are dramatically reduced the more the Poles settle in and spend their money in the city they work in. In fact, when working and living in Reykjavik the Poles obtain no significant increase in purchasing power compared to their situation in Poland before they left. This has to do with the crises that hit the Icelandic economy very hard. Thus before it struck, the Poles might easily have obtained better purchasing power than in Poland, but the economic downturn has reduced the economic advantage to one that is statistically insignificant. However, the crisis cannot explain everything. Both in Copenhagen (where the survey was conducted before the full onset of the crises) and in Oslo (where the effect of the cri-

sis has been moderate), the economic advantage of living and working abroad is reduced significantly by the introduction of price levels. Thus, in these two cities the Poles still have a significant economic advantage, and in all three cities, the minimum level in purchasing power has increased compared to the one they had at home. At the same time we can observe that those earning the most in Poland have actually taken a cut in their purchasing power by going abroad. This corresponds well with the more egalitarian wage structures of the Nordic countries: the rich do not get quite so rich, while the poor do not get quite so poor.

All in all, the analysis of purchasing power shows that more than half of the economic advantage the Poles obtain by working in the three cities is the result of the differences in price levels (as opposed to real wages), and that this larger part of the advantages is dependent upon some form of trans-border or migratory behaviour (i.e. “target earning”, “circulatory migration”, remittances or some other form of economic strategy). There are, however, substantial differences between the three cities regarding the degree to which differences in price levels and purchasing power creates economic incentives for this kind of trans-border activity. Higher cost level in their host country means larger incentives for cross-border activities. This may help explain why there are so many more Polish migrants in Oslo who have left their families behind in Poland compared to Copenhagen and in particular Reykjavik (where higher travel costs also may discourage long distance commuting).

As we have seen there are significant differences between the wages of Polish migrants in the three cities. Because there are also significant differences in price levels and general wage levels, our comparison of the overall wage levels of Polish workers in the three cities looks quite different depending on which measure we use. In terms of absolute wages Oslo stands out by being the most attractive destination, with average hourly wages for Polish workers of over 70 Zloty, compared to 54 in Copenhagen and only 30 in Reykjavik. But because Norway also has the highest general wage level and also the highest prices, Poles in Oslo are less well off when we look at their relative wages and purchasing power. When controlling for price differences the wage gap between the cities is reduced both in absolute and relative terms, and it almost disappear between Oslo and Copenhagen. The labour market in Copenhagen stands out as the most egalitarian, with average hourly wage levels of Polish workers at 85% of the national average. In both Oslo and Reykjavik, migrants are placed much lower in the wage hierarchy. Reykjavik also stands out as the place which offers the lowest purchasing power to its Polish migrant workers.

Figure 2.18 Average hourly wages of Polish migrants in Oslo, Copenhagen and Reykjavik measured in absolute wages (Zloty), relative wages (percent of national average) and purchasing power (OECD standard). N=962



6.4 Wages according to industry and type of employment

Although providing a general overview of the attractiveness and egalitarianism of the labour markets in the three cities, these numbers are not a precise indicator of how Polish migrants are placed within the labour market. Because Polish migrants are concentrated within a few sectors of employment, and because their pattern of employment looks slightly different in the three cities, it is difficult to know exactly how much of the differences – between Polish workers in the three cities and between Polish migrant workers and native workers – is due to their different sector-wise placement in the labour market. It is for example, difficult to know if Polish migrants receive lower wages than natives in the same occupations, or if their low placement in the wage hierarchy is merely a result of their overrepresentation in low wage occupations. When comparing the wages of Polish migrants across sectors in the three cities we find some differing patterns. In Oslo, those working in “other sectors” stand out as having significantly higher hourly wages. Aside from this group, construction workers are best off, and low skilled service workers are the least well off. A similar pattern is suggested by the figures for the other two cities (except for construction in Copenhagen, which appear to be relatively less well paid compared to construc-

tion work in the other cities), but these differences are far less pronounced, and not statistically significant.

Figure 2.19 Average hourly wages of Polish migrants in Oslo, Copenhagen and Reykjavik measured in absolute wages (Zloty), according to industry of employment. N=962

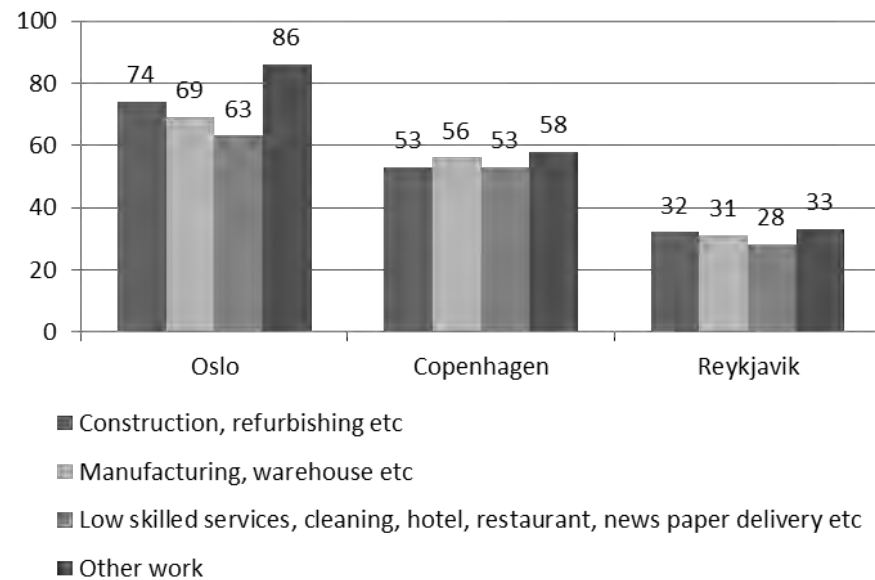
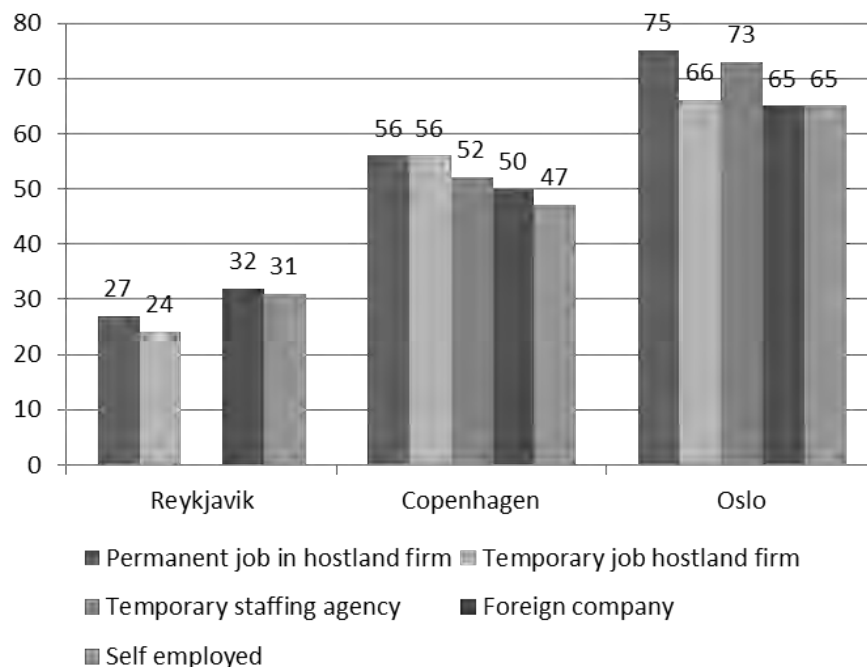


Table 2.9 Average hourly wages of Polish migrants in Oslo, Copenhagen and Reykjavik measured in local currency, according to industry of employment. N=962

	Oslo	Copenhagen	Reykjavik
Construction, etc	152 NOK	113 DKK	1,309 ISK
Manufacturing, etc	138 NOK	120 DKK	1,248 ISK
Low skilled services, etc	125 NOK	114 DKK	1,122 ISK
Other work	171 NOK	124 DKK	1,340 ISK
Total	144 NOK	116 DKK	1,203 ISK
N	439	290	231

Figure 2.20 Mean hourly gross wages compared for workers with different types of employment in the three cities. Zloty. N=96



There is also a significant association between the type of employment of the workers and their wages as well, although this association looks slightly different in the three cities. Figure 2.20 shows the mean hourly gross wages in Zloty for workers with different types of employment in the three cities. In Reykjavik, very few workers have any form of atypical employment, but those few who do actually appear to earn more than those who have standard permanent employment. In Copenhagen, where a much larger proportion of the workers have some form of atypical employment contract, the relationship is reversed. Those employed by Danish firms – either permanent or temporary – are at the top of the wage hierarchy, while workers in temporary staffing agencies, Polish subcontractor firms and self employment earn progressively less. In Norway, permanent employees in Norwegian firms also earn substantially more than workers in most forms of atypical employment. Temporary workers, workers employed in Polish subcontractor firms and self employed workers are generally paid about ten Zloty less per hour than those in regular permanent employment. Those employed by foreign subcontractor firms are by far the ones with the lowest pay in Oslo. This confirms the general notion that social dumping and low wage competition is particularly common among posted workers.

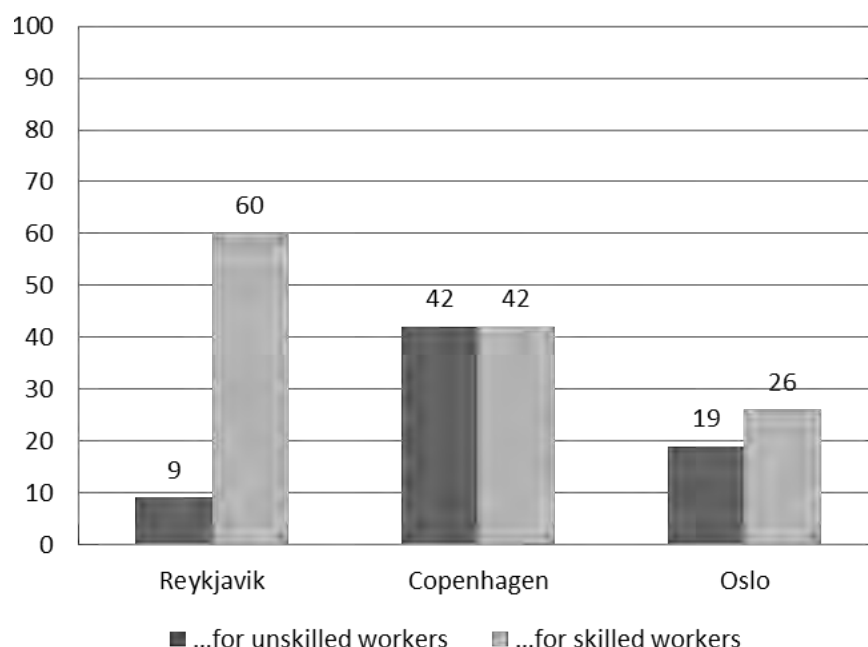
6.5 The case of construction

For the majority of Polish workers in this study, it is difficult to know if their wages are in accordance with minimum wage regulations in the particular industries where they work, since respondents have a variety of different job descriptions and these regulations differ between and within sectors and countries. However, in the construction industry – which is also the main employer of Polish migrants in the Nordic countries – it is possible to obtain both reliable numbers on average wages as well as minimum wage provisions that should apply to everyone. In the following we will therefore use the construction sector as a case of illustration. Readers should be aware that the number of respondents is relatively low, especially in Reykjavik. These analyses provide some interesting results, which to some extent deviate from the results we get when comparing Polish migrants' wages in all sectors to the overall wage levels in the host country.

Table 2.10 Minimum wages for skilled and unskilled workers as specified in national collective agreements, average hourly wages within the sector, and the average wages of Polish migrants within the sector (counted in local currency and Zloty)

	Reykjavik	Copenhagen	Oslo
Industry average	1,875.04 ISK	172.76 DKK	209.50 NOK
Minimum wage unskilled workers (in % of average wages)	990.12 ISK (53%)	106.90 DKK (62%)	128.50 NOK (61%)
Minimum wage skilled workers (in % of average wages)	1,359.00 ISK (72%)	106.90 DKK (62%)	133.50 NOK (64%)
<i>Av. wage Polish migrants in local currency (in % of average wages)</i>	<i>1,309 ISK (70%)</i>	<i>113 DKK (65%)</i>	<i>152 NOK (73%)</i>
<i>Av. wage Polish migrants (Zloty)</i>	<i>32 Zl</i>	<i>53 Zl</i>	<i>74 Zl</i>
N	33	110	151

Table 2.11 *The share of Polish construction workers who earn less than the minimum wages for skilled and unskilled workers as specified in national collective agreements, in Reykjavik, Copenhagen and Oslo*



In the previous section we saw that Poles in Reykjavik in general earn only 57% of the average wages of Icelandic wage earners, placing them lower in the relative wage hierarchy on Iceland than Poles in the other two cities. However, when wage comparison is confined exclusively to construction i.e. when the wages of Polish construction workers is compared to those of the average Icelandic construction worker, the difference is somewhat reduced, as Polish construction workers in Reykjavik earn about 70% of the overall average for Icelandic construction workers. How does this fit with the collectively bargained minimum standards in the Icelandic construction industry, which are routinely extended by law to apply to all workers in Icelandic construction? First of all we should notice that there is considerable difference between minimum wages for unskilled and skilled workers within the collective agreement for the Icelandic construction industry. With minimum wages for unskilled workers at only 53% of the average wage level, this provides considerable wage flexibility – and thus scope for low wage competition – within the collective agreement. Polish construction workers (although we must take account of relatively few observations) are on average paid slightly more than the minimum wage for unskilled workers but the majority is paid less than the minimum wage for skilled workers. Here we should note that a majority of the construction workers do have

some form of vocational training or skills from Poland, suggesting that they rarely get recognition for their skills in the Icelandic labour market. While only 9% earn less than the minimum wage for unskilled workers, as much as 60% earn less than the minimum wage for skilled workers.

In Denmark and Copenhagen the situation is quite different. Danish collective agreements in the construction sector do not separate between skilled and unskilled workers in their minimum provisions, and Polish workers are on average paid slightly above minimum wage. However, four out of five are actually paid below this level. It should be noted, however, that unlike the case in the construction sector of Norway and Iceland, the minimum wages set in Danish collective agreements in the construction sector are not legally binding to all workers, but only apply to firms that are bound by the agreements. Compared to Poles working in other sectors, Polish construction workers in Copenhagen appear to be less well off compared to Danish colleagues, earning on average only 65% of the overall average in the industry. In other words, the Danish construction industry appears to be significantly less egalitarian than the previous overall analysis suggested.

In Oslo, Poles working in construction appear to be relatively better off than Poles in general, although not very much – earning about 73% of the industry average. About 19% earn less than the legally extended minimum wage for unskilled workers, while 26% earn less than the minimum wage for skilled workers.

Summing up the findings from the construction industry so far, we find that the wage gap between Poles and native workers is widest in Copenhagen and smallest in Oslo. In Reykjavik the wage gap is related to the relatively large wage flexibility within the existing collective agreements, allowing for relatively low wages for unskilled workers. In Oslo and Copenhagen, the wage gap is only to some extent explained by wage flexibility within existing collective agreements, and to some extent explained by wages below minimum wages. This is in particular the case in Copenhagen, where a considerable share of the Polish construction workers earned less than minimum wage. This is to some extent also the case in Oslo, where these minimum standards are legally binding.

6.6 Explaining variation in wages: Who are most “at risk” of receiving low pay?

In terms of hourly wages, the average deviation from the mean is about 20% in every city. This means that most of the workers actually earn either considerably more or considerably less than the estimated averages. Since this report has a particular focus on “social dumping” and low wage competition, we are particularly interested in those who receive the lowest wages. In order to explain why some migrants are placed low in the wage hierarchy and other higher up, we have performed a multivariate regression analysis that makes it possible to control for several different factors, and estimate their significance in explaining variation in wages. This analysis allows us to point towards those groups of workers and those segments of the labour market where the risk of social dumping is the greatest. We use a standard linear regression model without interaction, for all three cities first, which means that those factors that are found to have an impact on the wages of Polish workers are factors that appear to affect wages irrespectively of which city, industry and segment of the labour market or group of workers we are dealing with (first column). Then we perform a similar analysis for each city separately in order to see if the factors which affect wages differ between cities (last three columns).

Table 2.12 Linear regression model predicting hourly wages for Polish migrants in Oslo, Copenhagen and Reykjavik. N=962

	Total		Oslo		Copenhagen		Reykjavik	
	B (Zloty)	Sig.	B (Zloty)	Sig.	B (Zloty)	Sig.	B (Zloty)	Sig.
(Constant)	86.1	0.000	101.0	.000	68.2	.000	31.0	.000
City								
Copenhagen	-15.6	0.000						
Reykjavik	-44.5	0.000						
Industry								
Construction	-3.4	0.124	-13.7	.014	-2.8	.323	-0.5	.888
Manufacturing	-4.5	0.042	-25.1	.000	1.3	.624	-1.5	.593
Low skilled service	-6.9	0.000	-21.4	.000	-1.6	.451	-5.8	.024
Individual factors								
Woman	-2.6	0.062	-2.0	.658	-4.6	.004	0.4	.787
No additional schooling after 12 years	-3.1	0.004	-4.4	.057	-3.7	.009	0.0	.993
Stayed less than 2 years	-5.6	0.000	-12.5	.000	-4.0	.004	1.6	.483
Structural factors								
Employed by Polish firm	-7.6	0.000	-9.8	.001	-7.0	.000	7.9	.018
No trade union rep in firm	-3.6	0.001	-6.1	.043	-6.1	.000	1.9	.217
Perform work for household clients	-8.3	0.000	-5.7	.034	-7.4	.001	0.7	.837
Adjusted R square	0.61		0.30		0.28		0.04	

Each B-coefficient suggests how many Zloty the predicted average hourly wage changes when the value of the independent variable changes. If we focus on the overall analysis in the first column, the constant coefficient represents a male Polish worker in Oslo, working in sectors “other” than construction, manufacturing or low skilled service, who has additional schooling beyond 12 years, who arrived in the host country more than two years ago, who is not employed by a Polish subcontractor, who has a trade union representative at his workplace and who does not perform work for household clients. This is the group in our sample that by far receives the highest wages. We then introduce variables that have a negative impact on hourly wages. Aside from the already mentioned

fact that wages are considerably lower in Copenhagen and especially in Reykjavik, the analysis shows that all else being equal, wages are significantly lower in low skilled service professions compared to the “other” category. It also suggests that workers in construction and manufacturing earn less than those in the “other sector” category, although this effect is not significant in our model.

Taking other variables into consideration and starting with gender it turns out, that women generally earn less than men, but this is primarily related to their overrepresentation in low skilled service occupations which are generally low paid. When comparing men and women within the same sectors we find no significant difference in pay. Education appears to have a small but significant effect, meaning that workers with no additional schooling beyond 12 years earn slightly less than those who do have more than 12 years of schooling. Interestingly, length of stay turns out to have, much greater effect upon wages than education.. Those with less than two years of residence earn on average 5.6 zloty less, indicating that the migrants have some scope for improving their earnings over time.

Yet, although these individual level characteristics such as education and particularly length of stay, can to some extent explain variation in income, structural factors related to the characteristics of employers appear to have a much stronger impact on their earnings. First of all, being employed by a Polish firm has a strong significant negative effect on wages, suggesting that transnational service mobility and subcontracting is an important driver of low-wage competition. A somewhat smaller, but still significant, effect is related to the presence of trade union representatives in the firms where they work, suggesting that local enforcement of labour standards by the social partners work as a protection against wage dumping. Finally we find a strong effect of doing work for the private household client market, suggesting that this market – largely outside the scope of labour regulations enforcement – provides significantly lower earnings for migrant workers than more regulated parts of the labour market.

In other words, we find that the following factors – listed according to their relative strength – are significantly associated with low wages:

- Working for private household clients.
- Working for a foreign company.
- Working in a firm without trade union representation.
- Short stay.
- Low education.

So far we have assumed that the relationships between the variables and earnings are uniform across the three cities, and the effects mentioned here are effects that hold true when analysing all three populations. There are, however, variation between the three cities in the relative strength and directionality of these causal effects. This variation can be read from the differences between coefficients in the three columns to the right of the table. For example, in Oslo we find a particularly strong effect of length of stay, indicating that the potential for wage improvement is greater here than in the other two cities. At the same time, education does not have a significant effect in Oslo, suggesting that Poles in Oslo are rewarded very little for their formal skills. Having a trade union representative at the workplace does appear to affect earnings in Oslo, but this effect is not statistically significant, suggesting that firm representation does not necessarily play a very central role in protecting the wage level of Polish migrants in Oslo. What does have a very strong impact in Oslo is whether they work for a Polish firm or not. The results show that both posted workers and those catering to the household market are at particular risk of receiving very low wages in Oslo.

Copenhagen shares many similarities with the Oslo labour market, but there are some differences which can be derived from the statistical analysis. First of all, it seems that trade union representatives may play a more central role in Copenhagen, as those working in firms with trade union representation earn significantly more than those working in firms which do not have such representation. However, the fact that this effect is significant in Copenhagen but not in Oslo may just be a result of more missing values in Oslo, and thus a larger sample in Copenhagen. Length of stay appears to be less significant in Copenhagen than in Oslo. Being employed by Polish subcontractor firms has a significant negative effect in Copenhagen, but this effect is not as strong as it is in Oslo. Performing work for the private household market, on the other hand, appears to have an even stronger effect in Copenhagen than in Oslo.

The labour market for Polish migrants in Reykjavik appears to be structured very differently from both Oslo and Copenhagen. Although there is considerable variation in wages here as well, this variation is not structured along the same lines as in Oslo and Copenhagen. In fact those very few Polish migrants who are employed by Polish firms in Reykjavik have higher earnings than other workers. There is no household market to speak of in Reykjavik, so this cannot explain wage variation. More surprising are the results showing that individual characteristics do not have any significant impact, and neither do structural factors relating to characteristics of their employers.

There are other variables that are correlated to the workers wage levels that are not included in the regression analysis above. On the one hand there are limits to how many variables the model can handle (and still produce significant results). On the other hand, some independent variables are so closely correlated to each other that it is difficult to distinguish the effects of one from the other. One of the most important factors that we have excluded from the analysis is language skills and language training. The reason is that this is so closely related to other variables that including them in the analysis will obscure the effect of both. These other variables which are closely related to language skills are particularly length of stay and type of job – people who have stayed longer have better language skills, and people with better language skills have better jobs (i.e. not work for Polish subcontractors etc.). When we do a simpler analysis of the effect of language skills, controlling for just city and sector, we find that having better language skills has a strong significant positive effect on their wage level. It is interesting to note, however, that this effect appears to be much weaker in Reykjavik than in Oslo and Copenhagen. One reason may be that the effects of the financial and economic crisis on Iceland has left limited scope for individuals trying to better their economic situation through for example improving their language skills. Another reason may be that English is more commonly accepted as a working language on Iceland, and knowledge of Icelandic is therefore less required.

6.7 Conclusions

This chapter has focussed exclusively on the hourly wages of Polish migrant's workers in the three cities, as they have been reported by our respondents, in different currency measures and compared between different groups. The comparison of absolute wages measured in Polish currency – and thus indicative of the value their earnings will buy them in Poland – show that there is a considerable difference between the three countries. Norway – and Oslo – is by far the most attractive destination, where Polish migrants earn by far the highest wages: on average almost four times their income back home in absolute terms. Reykjavik appears as the least attractive destination: being paid on average about twice their average income back home. The relatively low value of the Icelandic wages is not least a result of the financial and economic crisis, which reduced the value of the Icelandic Krona by half in the years after 2008. Polish migrants in Copenhagen find themselves earning somewhere in between

those in Oslo and those in Reykjavik. Not surprisingly, these results confirm why Norway has been and continues to be the number one destination for labour migrants among the Nordic countries. Norway's attractiveness as a destination for Central and Eastern European labour migrants depends to quite some extent, however, on their engagement in some kind of transnational pattern of consumption, such as temporary/circular migration, sending remittances or investing money back home. Because of Norway's high price levels, Polish migrants in Norway have no higher purchasing power than those working in Copenhagen, as long as they spend their money at their place of residence.

The analysis, however, also shows that Polish migrants on average earn considerably less than the average wage earner in the three countries (even despite the fact that Capital city jobs tend to pay more). There is, in other words, no doubt that labour migration to all three cities is closely related to low wages among the migrants. How much less than the average native worker the Polish migrants earn, varies however between the three cities. Once again Polish migrants in Reykjavik find themselves in the least fortunate position, earning only 57% of the average wage earner on Iceland. Oslo and Copenhagen, however, switch their positions when we measure the earnings of Polish workers in relative terms. While Polish migrants earn wages that are not *very* low compared to Danish workers (85%), the difference between the Poles and the average wage earner is quite a bit larger in Oslo (65%). When discussing the – in relative terms – lower wages of Polish migrants it is important to differentiate between two distinct effects. On the one hand migrant workers may have low earnings because they are disproportionately recruited to fill positions in low-wage sectors of the economy. On the other hand, migrants may be paid less than other workers within the same sectors (although this may be the same effect on a smaller scale: that migrants are recruited to perform the lowest paid work within sectors). Although we do not have comparative data on all the different sectors where Polish migrants work, our analysis of the construction sector suggests that both mechanisms are in operation. Poles do earn less than the average within this sector, but the difference is less than the overall differences across sectors.

The analysis of the construction sector provides different results regarding relative wages. Earning on average 70% of the industry average, the wage gap experienced by Polish construction workers in Reykjavik vis-a-vis native workers is still considerable, but significantly smaller than the overall analysis suggested. This analysis allows us to suggest one possible reason for the relatively low wages of the Icelandic Poles –

not just in absolute terms (which to some extent can be accounted for by the crisis), but also in relative terms. The Icelandic collective agreements – which are legally binding for everyone on Iceland – stipulated quite low wages for unskilled workers, both compared to the minimum wage for skilled workers and compared to the average wages of Icelandic construction workers. In other words, as long as Polish migrants are defined as unskilled workers, there is plenty of scope for low wage competition within the existing system of extended collective bargaining. This, of course, means that Polish workers very often do not get recognition for their skills, education and experience from Poland.

Polish construction workers in Copenhagen receive only 65% of the industry average – leaving them relatively less well off than the overall analysis suggested. As much as 42% of them earn less than the minimum standard of the collective agreement, suggesting that the Danish system of voluntary collective agreements is less able to protect the standards of migrant workers than the legally binding ones in Oslo and Reykjavik.

Polish construction workers in Oslo earn 73% of the industry average, and 19% are paid below the legally extended minimum wage. That Polish construction workers in Oslo are better off in relative terms than both Polish construction workers in the other two cities as well as Polish workers in other sectors in Oslo, is probably related to the fact that the construction sector has been at the centre of attention of Norwegian anti-dumping policies and efforts launched by the government and Norwegian trade unions.

The multivariate analysis provides some further insight into the mechanisms of low wage competition. In general, and although our analysis does not allow us to measure all aspects of the human capital of the individuals, it seems that the structural placement of the labour migrants into different segments of the labour market, has a stronger effect on their earnings than their individual characteristics (although length of stay does have a strong impact on wages – particularly in Oslo). Those working in low skilled services are generally paid less than those working in other industries. Individual factors such as gender (women are paid slightly less) and education do have an impact, although not very large. Most importantly we find that posting of workers (e.g. being employed by a foreign subcontractor) and the household sector are the main drivers of low wages in Oslo and Copenhagen. There is some variation between these two cities – posting of workers seems to have a stronger impact on wages in Oslo, while the household sector is particularly low paid in Copenhagen. Furthermore, we find that not having a trade union representative in the workplace has a significant negative

effect on wages, but this effect appears to be more pronounced in Copenhagen than in Oslo. However, neither posting of workers nor the household market constitute any drivers of low wage competition, simply because both of these phenomena remain marginal. Language skills are positively correlated with higher wages, although much of this correlation has to do with length of stay and having better jobs. Interestingly, this effect is much weaker in Reykjavik than in Oslo and Copenhagen.

7. Precarious working conditions

In the sociological literature on work, the concept of precariousness – defined as employment that is uncertain, unpredictable and risky from the point of view of the worker – has become a central concept describing developments in parts of modern industrial labour markets over the last few decades (Kalleberg 2008). This concept can also be useful for describing certain aspects of the employment situation for many recent labour migrants, which may be considered to be problematic in the Nordic labour market. Precarious working conditions may be defined in a variety of ways, and it is difficult to create any single measure which captures different aspects of uncertainty and risk in employment. In this chapter we will try to measure precariousness along three closely inter-related dimensions. First of all, we can relate precariousness to lack of protection from dismissal and fear of losing one's job. Workers who do not have a permanent contract are obviously in a much weaker position vis-a-vis their employers and do not enjoy the same protection against dismissal as workers with a permanent contract. As we saw in chapter five, as few as 26% of the Polish migrants in Oslo, and 36% of Polish migrants in Copenhagen, but as much as 80% of the Poles in Reykjavik, had regular permanent contracts with a host country firm. However, there are also other more direct – and more acute – ways of measuring the uncertainty which workers may experience, for example if they fear that they will get in serious trouble with their employers or lose their job if they talk to labour authorities or trade unions, or if they actually have received threats of dismissal from ones employer. Precariousness can also be related to the payment of wages. For example, workers may in reality receive lower wages than their direct hourly payment would indicate because they are cheated at some point. For example they may not get compensated for overtime work or they may in some other way be barred from receiving their entitled wages. If that is the case, our questions regarding the migrant's direct hourly wages may not give an encompassing picture of their real wages. Even if being cheated out of pay that one is entitled to does not necessarily have a huge impact on one's overall earnings, employers who arbitrarily can withhold parts of

the workers' wages represents a form of uncertainty related to income. Finally, precariousness in the workplace may be related to workers inability to claim rights that they are entitled to either from their employers or from the public welfare system. This is for example the case for workers who lack a written contract, and thereby do not have any legal protection from arbitrary treatment. Another measure is their ability to claim sick leave with pay in case they fall ill – a social right which all workers in the Nordic countries are entitled to by law, but which in reality may be difficult to claim for some workers. To sum up, precariousness is related to lack of stability, security and control in ones employment situation rather than lack of income. In this chapter we will measure and compare the prevalence of precarious, exploitative and illegal working conditions. We do this by comparing the respondents' answers to several different questions about whether or not they had experienced different kinds of situations at work in the host country, and their evaluation of their own situation.

7.1 Fear of dismissal

Our first dimension of precariousness is related to lack of protection from dismissal and fear of losing one's job. Respondents in all three cities were asked the following question: "Do you think that you would risk losing your job or face other serious problems at work in [host country] if you talk to labour inspectors or other authorities?" They were then asked the same question about talking to trade unions. Note that this question is not necessarily related to actual experiences, but to their perception of possible risks. They were also asked if they had ever experienced actually being threatened with dismissal by their employers. Figure 2.21 shows how many answered yes to these questions in each city.

Figure 2.21 Fears and threats of dismissal among Polish migrants in Reykjavik, Copenhagen and Oslo. N=1,081

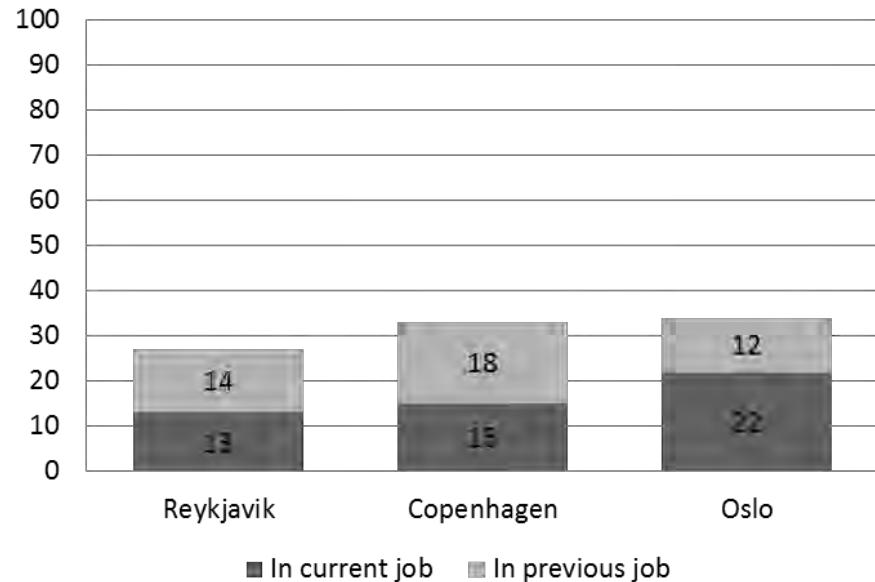


The results show that there is a substantial minority among the workers who think that they will get in serious trouble if they talk to labour authorities or trade unions. These fears appear to be almost equally common in all three cities. They are expressed by workers in construction, manufacturing and low skilled services alike, but less common among workers in other sectors. Interestingly, there are no significant differences between workers with different types of affiliation to their employers. Workers with regular permanent employment as well as workers with temporary and atypical employment express these concerns. As we shall see later, this stands in contrast to most other measures of precariousness which are more closely related to the type of employment of the workers. One possible reason for this apparent lack of correlation between types of employment and fear of dismissal, is that although the real threat of dismissal is greater in “less desirable jobs”, the workers fear of losing their job is greater among those with “better jobs”. When asked whether they have actually been threatened with dismissal by their employers, their answers suggest that this is most common within low skilled services and construction and among those with atypical and temporary employment. It is also worth to note that this appears to be most commonly reported in Copenhagen and least commonly reported in Reykjavik, despite the fact that the survey was conducted in Copenhagen before the onslaught of the financial crisis, while it was conducted in a much more difficult economic climate in Reykjavik in 2010.

7.2 Not getting paid in full

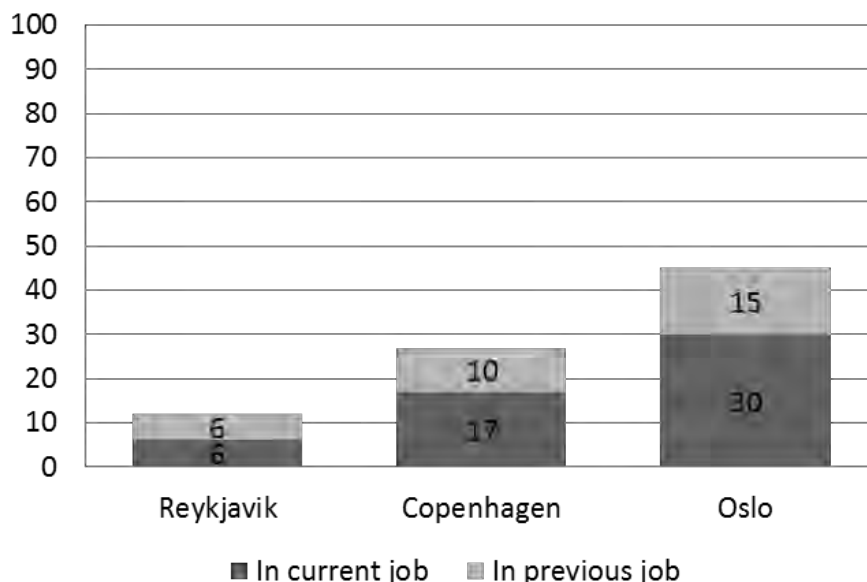
Our second dimension of precariousness is related to payment of wages – or to be more exact the lack of payment of wages. We asked our respondents separately whether they had experienced not being paid at all for a piece of work, and whether they had experienced being paid less than what was agreed upon beforehand. For each question, respondents were asked if this happened in their current job or in a previous job in the host country. In figure 2.22 we have combined the answers to these two questions into a single variable, while distinguishing whether or not this occurred in their current or in a previous job (this distinction is important when we try to relate their answers to the kinds of jobs they hold). Although slightly less commonly reported in Reykjavik than in Oslo and Copenhagen, the answers show that a significant minority of the Polish workers in all three cities claim that they have been cheated out of pay while working in the host country. We do not know exactly what these occurrences mean. In some cases, it may be the case that the workers have misunderstood what they are entitled to or the host country tax regulations, and thus wrongly think that have been cheated. However, qualitative evidence as well as numerous media reports have shown that many migrant workers experience difficulties related to the payment of their wages, and that many employers either speculate in holding (back parts of) their employees' wages or are not capable of fulfilling their financial obligations to their employees. Our analysis show that this is most common in construction and low skilled services, less common in manufacturing, and very rare in other sectors.

Figure 2.22 *Share of workers who claim to have been cheated out of pay in their current or previous job. N=1,081*



A significant group of Poles work quite long weeks, and this is especially the case among construction workers in all the three cities. This raises the question of whether they are compensated for these extra hours or whether their flexibility is unrewarded. In figure 2.23 we have identified those that have positively indicated they have had the experience at some point during their stay to not be compensated for working overtime. All others, who might have either said “no” or that they “do not know” if they have not been paid, have been collected in the “no” category and not been analysed further. As in the previous figure, we distinguish between those who have experienced this in their current job and those who have experienced this in an earlier job in the host country.

Figure 2.23 Share of workers who claim to have worked overtime without pay in their current or previous job. N=1,081



In regard to working overtime without receiving overtime payment, the differences between the three cities is much more striking than in the case of other forms of unfulfilled payments. In Reykjavik 12% of all Polish workers report that they have worked overtime without pay, whereas this has happened to 27% of the Poles working in Copenhagen and as much as 45% in Oslo. Not paying for overtime work may be a way for employers to cut labour costs in a context where hourly wages are relatively high and strictly regulated by law or collective agreements. This corresponds to the fact that not getting paid for overtime is much more common in Oslo, where wages are the highest (and in the case of construction – regulated by law), and least common in Reykjavik where Polish workers earn the lowest hourly wages in both absolute and relative terms. In Reykjavik – where only a small minority reports to have experienced working overtime without compensation – there are no significant differences between industries, although it appears that this is even less common in manufacturing than in the other industries. In Copenhagen, not getting paid for overtime work is also quite equally distributed between the three sectors where the Poles are overrepresented while few cases are found within other work. In Norway, construction stands out with as much as 60% reporting to have worked overtime without pay, while 36% of the Poles employed in low skilled service in Oslo are similarly exposed. Very few cases have been reported within the “other work” category. There is a strong connection between

type of employment and probability of not getting paid for overtime work. Having a standard type of employment (i.e. a permanent job in a host-land firm) reduces the chance of not getting paid for overtime work in both Copenhagen and Oslo. In Oslo, temporary agency workers are most likely to report working overtime without pay, while it is the self employed who top the list in Copenhagen. It should be noted, however, that self employed workers are usually not covered by regulations on overtime work and it is not entirely clear what these respondents actually refers to when saying they work overtime without compensation. When self employed workers, have been excluded, temporary agency workers top the list in Copenhagen as well.

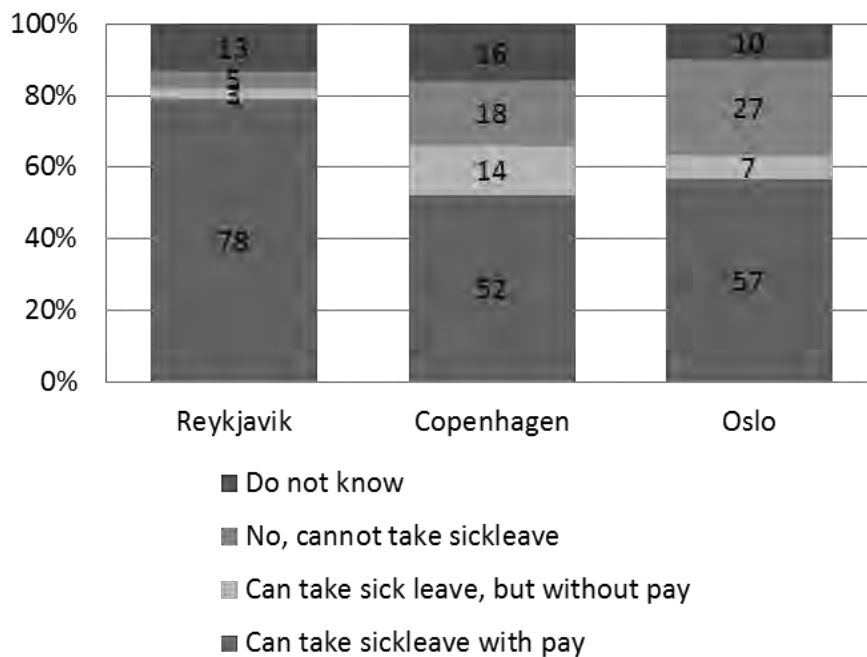
Summing up our questions regarding payments we find that both having been cheated out of pay and having worked without receiving overtime payment is most common in Oslo and least common in Reykjavik. Furthermore this is most often reported by workers within low skilled services and construction work. It is also far more common among those who have some type of atypical employment than among those who are permanently employed. This difference is not so pronounced in Reykjavik, where most workers are permanently employed.

7.3 Inability to claim basic rights

Access to paid sick leave in case one falls ill is an indication of to what extent migrant workers enjoy the full benefits of the different forms of national welfare and labour regulation. Through national legislation and collective agreements the general right to sick leave is secured in Iceland, Norway and Denmark. We asked the respondents whether they thought they would be able to take a few days sick leave in case they would become ill. In their answers, we find large differences between the cities. Only 9% of the Poles in Reykjavik claim they cannot get paid for sick leave, whereas 38% and 37% of respondents in Copenhagen and Oslo respectively said they could not get paid for sick leave. Copenhagen and Oslo differ, as a larger group of Poles in Copenhagen expect to get leave without pay, while more Poles expect to lose their job if they become sick in Oslo. In Reykjavik there are no significant differences between the different industries. In Oslo, however, half of the workers in low skilled services and almost one in three construction workers report that they do not expect to get sick leave with pay if sick, while this applies to only very few in other sectors. In Copenhagen it is the construction workers who stand out by not having

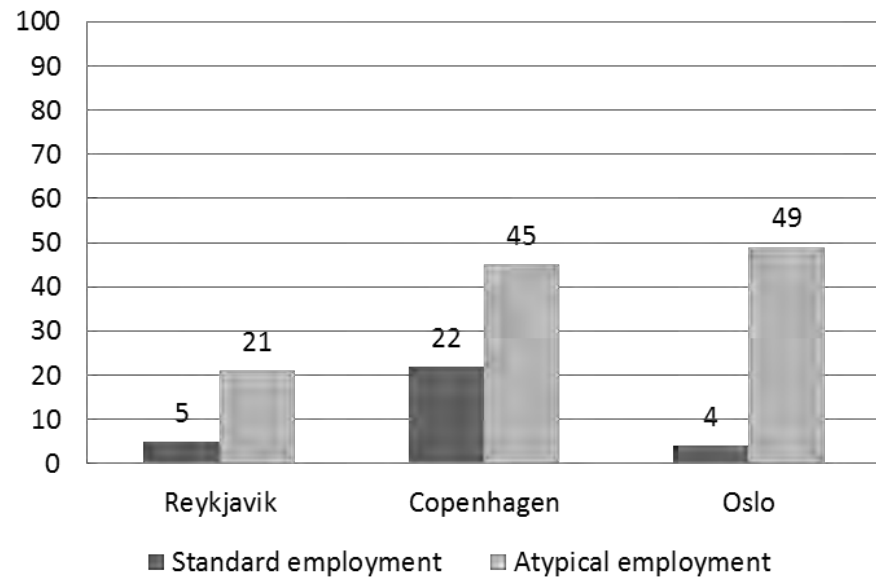
access to paid sick leave while between one fourth and one fifth of workers in other industries report the same.

Figure 2.24 Workers expectations on the question of whether they would be able to claim sick leave if they become ill, across cities. N=932



At the same time, type of employment seems to have a strong impact on the right to take sick leave. In both Oslo and Copenhagen, where the majority of workers have some kind of atypical employment, these workers are significantly more prone to say that they do not have access to paid sick leave than those in permanent standard employment. The difference is largest in Oslo where almost everyone with regular employment can take paid sick leave, but only half of those with atypical employment. In Copenhagen there are also many among those in regular employment who do not expect to get paid sick leave, although it is far more common among those with atypical employment.

Figure 2.25 Percentage of workers who do not expect that they can get sick leave with pay if they become ill. Regular and atypical forms of employment compared for each city. N=899



7.4 Who are most at risk of arbitrary and exploitative treatment?

In the following we will use five of the above mentioned phenomena as indicators of precarious working conditions:

- Having been cheated out of pay (receiving no pay at all or less than what was agreed upon).
- Having worked overtime without receiving overtime payment;
- Having received threats from their employers that they would be fired.
- Not having a written work contract;
- Not being able to take sick-leave with pay if they fall ill for a couple of days.

Figure 2.26 summarizes the analysis so far in this chapter, clearly showing that Polish migrants working in Oslo are more at risk than those working in Copenhagen, who in turn are more at risk than those who are working in Reykjavik. Except for workers reporting to have received threats by their employers – which is most prevalent in Copenhagen – we find that every indicator of exploitative conditions is most commonly reported in Oslo, and least commonly reported in Reykjavik.

Figure 2.26 The share of Polish workers in Oslo, Copenhagen and Reykjavik who report to have experienced each of the following five indicators of precarious, exploitative and illegal working conditions at least once during their stay. N=1,081

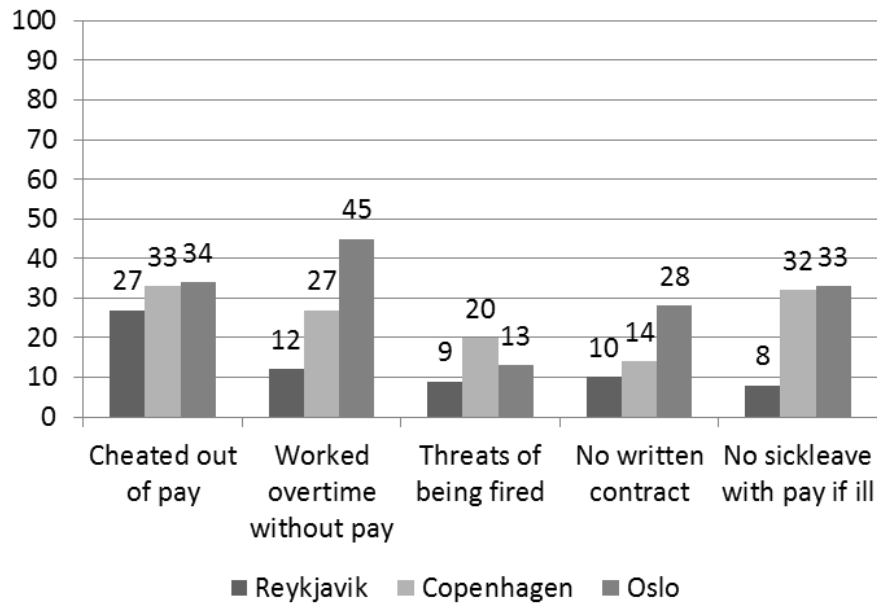
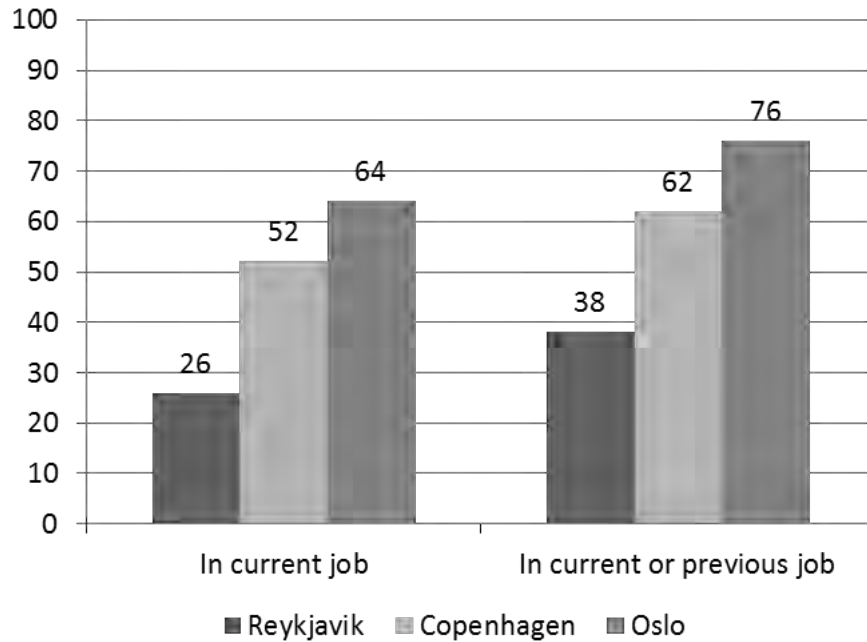


Figure 2.27 The share of Polish workers in Oslo, Copenhagen and Reykjavik who report to have experienced one or more of five indicators of precarious, exploitative and illegal working conditions. N=1,081



In other words, when we compare the prevalence of precarious, exploitative and illegal working conditions, we find the complete opposite relationship between the three cities from what we found when we measured hourly wages. In terms of precariousness, Oslo is the least attractive destination, while Reykjavik is the most attractive. While each individual indicator is reported to have occurred by somewhere between 13 and 45% among Polish workers in Oslo, as much as 76% of the Poles in Oslo have experienced at least one of them (64% if we only count those who have experienced it in their current job). In Reykjavik, only 38% report having experienced any of these things (26% in their current job). Copenhagen lies somewhere in the middle – 62% have experienced at least one of these things during their stay in Denmark (52% in their current job).

In order to find out which factors are associated with exploitative working conditions, we have performed a similar multivariate analysis of how different variables affect the risk of experiencing *at least one* of the exploitative working conditions mentioned above. Since the dependent variable this time is dichotomous, we use a logistic regression model predicting the odds of having experienced any of the mentioned indicators of exploitative working conditions in their current job. We first perform an analysis of all cities combined (“Total” column). This time the constant is set to be a male Polish worker in Reykjavik, working in sectors “other” than construction, manufacturing or low skilled service, who has attended additional schooling beyond 12 years, who arrived in the host country more than two years ago, who is permanently employed by a host country firm which has a trade union representative and who does not perform work for household clients. According to our model, such a person has the lowest probability amongst the Poles of having experienced any of these exploitative working conditions. We then introduce variables that have a negative impact on working conditions, in the sense that they increase the likelihood of experiencing exploitative working conditions. Next we performed the same analysis for each city separately. We only show the Exp(B)-coefficients and the significance level for each variable.

Table 2.13 Logistic regression model predicting the probability of having experienced at least one indicator of exploitative working conditions in their current job for Polish migrants in Oslo, Copenhagen and Reykjavik. N=1,081

		Total		Oslo		Copenhagen		Reykjavik	
		Exp(B)	Sig.	Exp(B)	Sig.	Exp(B)	Sig.	Exp(B)	Sig.
City	Constant	0.035	0.000	0.191	0.021	0.023	0.000	0.091	0.000
	Copenhagen	2.07	0.002						
	Oslo	2.637	0.000						
Industry	Construction	3.295	0.002	2.326	0.247	5.028	0.012	2.264	0.291
	Manufacturing	1.81	0.136	0.769	0.786	4.124	0.026	0.529	0.372
	Service	4.234	0.000	4.753	0.012	7.585	0.000	2.006	0.229
Individual factors	Women	1.345	0.173	0.787	0.682	0.776	0.465	2.414	0.026
	No schooling after 12 years	1.074	0.662	1.044	0.885	1.562	0.120	0.883	0.683
	Stayed less than 2 years	1.411	0.064	0.665	0.255	2.393	0.003	1.192	0.679
Structural factors	Atypical employment	2.07	0.000	2.860	0.001	2.260	0.004	1.362	0.384
	No trade union rep in firm	2.12	0.000	1.239	0.561	3.967	0.000	1.349	0.383
	Perform work for private households	1.831	0.005	4.539	0.000	0.883	0.764	0.713	0.727

The Exp(B)-coefficients show how the probability of having experienced the indicators changes when the value independent variable change. An Exp(B)-coefficient of 1 means that the odds do not change at all. An Exp(B)-coefficient of less than 1 indicates that the probability is reduced once the independent variable is changed, while Exp(B)-coefficients of more than 1 indicates that the odds increase. For example, having atypical employment has an Exp(B)-coefficient of 2.07, meaning that the odds of experiencing one of our exploitative work indicators are twice as high for those with atypical employment as for those with regular permanent employment. As with hourly wages we find significant differences between the cities, with Reykjavik at the bottom end and Oslo on top in terms of risk of experiencing exploitative conditions. We also find significant differences between different industries. Working in manufacturing almost doubles the risk of exploitative conditions compared to the “other” cate-

gory, while this risk is tripled in construction and quadrupled in low skilled services. Following this model, a male construction worker who has lived in Oslo for less than two years, working in some kind of atypical employment, with no trade union representative in the firm, often performing work for household clients, will have about 77% likelihood of having experienced one or more of these things. If we look at the odds-ratio (listed in the Exp(B) column), we find that individual factors such as gender, schooling and length of stay has no substantial effect (odds-ratio close to 1 mean no effect) the structural factors – atypical employment, lack of trade union representation and working for household clients – each approximately double the odds of experiencing exploitative working conditions. This time – in contrast to the chapter on wages – we have changed employment in Polish firms with atypical employment in general. Being employed in Polish firms had a negative impact on wages, but when we look at experiences of exploitative conditions we find that this is strongly associated with atypical work in general, including temporary employment, staffing agencies and self employment.

Once again we find differences between the cities in terms of which variables have the greatest impact. Lack of trade union representation has a much bigger impact in Copenhagen than in Oslo or Reykjavik. Atypical employment on the other hand is most consequential in Oslo in terms of increasing the likelihood of experiencing precarious conditions. The analysis also suggest that individual factors such as education and length of stay has a more significant impact on the probability of experiencing precarious working conditions in Copenhagen than in Oslo. And once again we find that the working conditions of Poles in Reykjavik are not structured along the same lines as in the two other cities.

8. Summary and conclusions

In the following analysis we will present an empirical description of each city, in terms of institutional context and labour market outcomes for Polish workers. We then conclude by discussing some of the key dilemmas facing Nordic labour markets in a context of increasing transnational mobility.

8.1 Oslo: Weak collectivism, ad-hoc universalism and precarious incorporation

Norway has been the primary destination among the Nordic countries for Polish migrants since Poland's accession to the EU, and although Polish migrants are found in all parts of the country, Oslo has attracted the largest share. According to our survey, Polish migrants in Oslo are on average 36 years old; the men being slightly older than the women. In terms of education the majority of migrants are skilled workers – 62% have some kind of vocational education, while only 17% have completed university level education, although this share is higher among the women. The selection of migrants going to Norway thus differs from other large destinations such as the UK and Ireland – where Polish migrants tend to be much younger, and often have higher education (Kaczmarczyk, 2010) – reflecting the relative inaccessibility of Nordic languages as well as large demand for manual labour. As Norway is one of the most expensive countries in Europe, considerable economic gains can be achieved for migrant workers by engaging in some kind of transnational activities in order to maintain parts of their consumption in Poland, for example through remittances, transnational family arrangements or circular mobility. Our survey shows that the Polish population in Oslo has been dominated by male workers, who often leave their families behind in Poland in order to work temporarily in Norway. In recent years, however, this pattern appears to be changing as increasing numbers of women and children have arrived.² In terms of sectors and occupations, the labour market for Polish migrants in Oslo is highly concentrated and gender segregated: 85% of the men are employed in the construction sector, and the majority of women are employed in low

skilled services. This includes some hotel maids and restaurant workers, but consists primarily of cleaning – quite often catering to domestic households. Some women but very few men are found on other types of work, such as public health care and kindergartens.³

Norway has the highest wages among the Nordic countries and thus the largest scope for low wage competition. It also has the lowest levels of collective agreement coverage, leaving large parts of the labour market unregulated in terms of minimum wages. In many key industries, the institutional basis of collective bargaining and enforcement is much weaker than in the other Nordic countries. Facing increasing labour migration flows after the EU accession, Norwegian policy makers and social partners quickly realized that if basic labour standards were to be upheld in the most exposed industries, the existing institutional framework would be insufficient. Largely based on legislation that was introduced when Norway joined the EEA, but had lay dormant until EU enlargement, Norwegian labour market regulation policies have since then gradually moved from a system based on voluntary collective arrangements towards what can be labelled *ad-hoc universalism* marked by increasing state involvement in wage regulations. This move included the now dismantled transitional restrictions (which basically took the form of minimum wage laws for migrant workers), but has since then come in the form of industry-wise universal legal extensions of minimum provisions in collective agreements (so far in construction, ship-yards, agriculture and cleaning), new chain liability legislation and increased control and enforcement by the state, as well as a number of other new statutory regulations regarding registration and control requirements. When it comes to enforcement of the generally binding collective agreement, the introduction of liability that is at once both joint and separate (chain liability) has been a landmark. It means that all contracting entities in the chain of subcontractors are “jointly and severally” liable to employees further down in the chain who does not receive generally applicable wages from their employers (Eldring *et al.*, 2011).

Our survey results suggest that these new measures, introduced through two consecutive government action plans against social dumping, have had some success in establishing a relatively high wage floor among new migrants: In terms of hourly wages, Oslo stands out as being the most attractive among the three cities. Polish migrants in Oslo earn an average of 71 Zloty per hour in Oslo – quadrupling their average prior earnings from Poland. In relative terms, their reported hourly earnings amount to about 65% of the average hourly earnings of wage earners in Norway in general, but if we look only at the con-

struction industry the wages of Polish migrant workers relative to the national average increase to 73%. The wage gap to native workers is thus partly – but not entirely – explained by their concentration in low-income occupations. There is, however, considerable variation in earnings among Polish migrant workers (standard deviation is approx. 20%). For example, one in five Polish construction workers still received less than minimum wage for unskilled workers, five years after this had been legally extended to all workers.

A regression analysis suggests which factors are most closely related to receiving low wages. We find that low skilled services, when controlling for all relevant factors, provide significantly lower wages than construction work, which in turn provide lower wages than work outside these two main sectors. There is no significant effect of gender, although women generally earn less because they tend to work in low income sectors. Human capital in the form of schooling beyond the obligatory 12 years only has a weak and non-significant positive effect on hourly wages. There is, on the other hand a positive and significant effect of length of stay, indicating some wage improvement over time. There is also a strong negative effect of being employed through Polish subcontractor firms, confirming that transnational service provision and posting of workers have been main drivers of low-wage competition in Norway (Alsos and Eldring, 2008; Dølvik and Eldring 2008). Working in a firm that does not have trade union representation, or working for firms that cater to the private household market are also both associated with low wages.

Compared to the other two cities (to which we will turn shortly), Oslo is by far the most attractive destination in absolute monetary terms, but it is also the destination where Polish migrant workers are least likely to access what can be described as regular employment. Only 26% in total, and even fewer in the main industries of construction and cleaning, had accessed regular permanent employment within Norwegian firms. Instead, the majority had what we describe as atypical employment. They were hired on temporary basis, usually through temporary staffing agencies or Polish subcontractors – which is particularly common within the construction industry – or as self-employed workers sometimes operating in the informal economy. Oslo also stands out by having a significant market for domestic household service provision, employing 31% of Polish workers. This is particularly common among cleaners, but there is also a substantial number of construction workers who provide building and maintenance services to private households. Their relative weak links to the labour market meant that Polish workers in Oslo were particularly vulnerable to labour market exclusion and unemployment

in the period of economic uncertainty after the international financial crisis (Friberg, 2012).

Oslo is also the city where Polish migrants are most likely to experience different kinds of precarious and illegal working conditions. For example, 34% of the sample report that they have been cheated out of pay by their employers; 45% report that they have worked overtime without getting additional pay; 13% have received threats from their employers that they would be fired; 28% do not even have a written work contract and 33% say that they would not be able to take sick-leave with pay if they were to fall ill for a couple of days. Each of these experiences indicates a rather precarious situation in the workplace, and it's not just concentrated on a small group. Overall, 76% of the Polish workers in Oslo report to have experienced at least one of these things during their stay in Norway, and 64% report to have experienced one of them in their current job in Oslo.

In order to find out which factors are associated with precarious working conditions, we performed a logistic regression model predicting the odds of having experienced any of the mentioned indicators in their current job. Not surprisingly, we find that many of the same factors that are associated with low wages are also associated with precarious working conditions: Workers in the service industry are more at risk than construction workers, who in turn are more at risk than workers outside these two industries. There is no effect of gender, education level or length of stay. There is, however, a strong connection between atypical work and precarious working conditions. And while low wages were primarily related to work for Polish subcontractor firms, precariousness is related to all kinds of atypical work, including fixed time contracts, temporary staffing agencies, and self-employment. Working in firms without trade union representation does not significantly affect the likelihood of experiencing precarious and exploitative conditions. There is however, a strong effect of providing services to private households, suggesting that workers in this market are particularly vulnerable to arbitrary treatment.

The results show that transnational service provision and posting of workers remains a powerful driver of low wage competition in Oslo (We will return to the results in Copenhagen and Reykjavik shortly). Given the relatively high wage level in absolute terms, it seems however quite likely that new statutory policies of minimum wage regulation have had at least some success in imposing collectively agreed minimum wages on migrant intensive labour markets. However, they do not appear to have had much success in incorporating migrant workers into the existing

institutional framework of employment relations. Instead, new forms of atypical, temporary and insecure employment have become the norm in migrant intensive labour markets, leaving migrant workers exposed to a wide range of precarious and often illegal conditions at work, including lack of written contracts, unpaid overtime, outright fraud and inability to claim basic rights at work.

8.2 Copenhagen: Insiders and outsiders in the Danish model

In absolute numbers Denmark has been the second most important destination for Polish migrant workers among the Nordic countries after 2004. Our data suggests that the selection of migrants working in Copenhagen is quite similar to Oslo, although we find some significant differences. Polish migrants in Copenhagen are on average four years younger than in Oslo. And even though we find an overrepresentation of male workers in Copenhagen as well, this trend is less pronounced than in Oslo. There are also slightly fewer Polish migrants in Copenhagen who report to have a spouse in Poland. In terms of education, there is no significant difference in selection compared to Oslo: most have some sort of vocational training, while a minority of about 20% have completed university level education. Compared to Oslo, Polish migrants in Copenhagen are found in somewhat more diverse sectors and occupations. The construction sector is the most important employer for the male Poles, but less dominating than in Oslo, employing “only” 44% of the men. Low skilled services is an equally important employer with 48% of the total Polish population being employed in this sector, but this category includes a more varied set of occupations in Copenhagen, including newspaper delivery, kitchen work and some types of customer related services. Unlike Oslo we also find a significant share of both men and women working in industrial manufacturing and related work in warehouses and storages.

While political debates over social dumping and low wage competition have been quite similar in Denmark and Norway, the social partners and policy makers in Denmark have sought to maintain a more “pure” framework of voluntary collective bargaining, and the social partners have opposed any moves towards increasing state regulation in response to international labour mobility (Andersen and Pedersen, 2010; Malchow-Møller *et al.*, 2009). This is probably related to the fact that, Denmark has a much higher level of collective agreement coverage, trade union organi-

sational rates and unions have easier access to take industrial action (Eldring *et al.*, 2012). But has this stronger Danish framework been sufficient to resist low wage competition and worker exploitation in the face of recent years increasing labour migration flows?

At first glance the answer appears to be yes. Although Copenhagen is a somewhat less attractive destination for Polish migrant workers in absolute monetary terms (Polish workers earn on average 54 Zloty per hour), their earnings relative to the average Danish worker are far higher than in Oslo – standing at about 85% of the national average. When controlling for price level, their purchasing power in Copenhagen is on par with that of Polish migrants in Oslo. This picture however looks quite different when we examine the construction sector in isolation. Polish construction workers in Copenhagen earn only 65% of the average Danish construction worker, and as much as 40% earn less than the minimum wage stipulated in the Danish collective agreements for the construction sector. Paradoxically, we find that Polish workers on average are better off relative to native workers in Copenhagen than in Oslo, but the situation in the construction industry is reversed, and there are more than twice as many construction workers who receive less than minimum wage in Copenhagen as there are in Oslo. This reflects the troubles Danish construction unions have had in securing the terms and conditions of Eastern European workers (Andersen and Arnholtz Hansen, 2008).

Our regression analysis of hourly wages shows that most of the same factors associated with low wages in Oslo also apply in Copenhagen. Like in Oslo, transnational service provision and posting of workers are significantly associated with low wages, although this connection is stronger in Oslo than in Copenhagen. Gender has a slightly stronger effect on wages in Copenhagen than in Oslo, while length of stay has a much weaker impact. We also find that working in firms without trade union representatives and working for private household clients has a stronger negative impact on wages in Copenhagen than in Oslo.

The differences between Oslo and Copenhagen in terms of labour market outcomes for Polish workers in the construction industry compared to other industries illustrate the institutional differences between the two countries. In Oslo, Polish migrant workers primarily work in low wage sectors with very low organisational rates and collective agreement coverage. The construction sector is no exception, but having been the main target for recent years' statutory anti-dumping policies the construction sector has during the post 2004 period had much stronger minimum wage regulations than other affected sectors. Thus the relative

strong position of Poles vis-à-vis native workers in this sector. In Copenhagen, the Poles work in low wage sectors as well, but with relatively higher organisational and collective agreement coverage rates than in Oslo (Arnholtz Hansen and Hansen, 2009). This secures a more egalitarian wage structure. Construction, however, is not a low wage sector in the same sense. Rather it is marked by strong trade unions, a fairly strong wage development, but also a high degree of wage flexibility between minimum levels and the average wage (Arnholtz and Hansen, forthcoming). Local wage setting plays an important role in Danish construction, and Polish migrants are in poor bargaining positions. As a result they end up being relatively more disadvantaged than their countrymen in Oslo.

Like in Oslo, we find that the majority of workers have some type of atypical employment, with both fixed-term contracts, work through temporary staffing agencies and Polish subcontractors and self-employment being common. Compared to Oslo, however, there is a greater share of workers – 36% – who have accessed regular permanent employment within Danish a firm. Polish migrants in Copenhagen are also at risk of experiencing the same kind of precarious and exploitative working conditions as in Oslo, although to a slightly lesser degree. 33% of the Copenhagen sample report that they have been cheated out of pay by their employers; 27% report that they have worked overtime without getting additional pay; 20% have received threats from their employers that they would be fired; 14% do not have a written work contract and 32% say that they would not be able to take sick-leave with pay if they were to fall ill for a couple of days. 62% of the Polish workers in Copenhagen report to have experienced at least one of these things during their stay in Denmark, and 52% report to have experienced one of them in their current job in Copenhagen. The logistic regression model predicting the odds of having experienced any of the mentioned indicators of exploitative working conditions in their current job shows similar patterns as in Oslo. Low skilled service workers and construction workers are more at risk than others, while individual factors such as gender and education have little effect. As in Oslo, structural factors related to their placement in different segments of the labour market are more important for understanding the risk of arbitrary treatment. As in Oslo, precariousness is strongly related to atypical employment. But once again we find that whether or not the workers have a trade union representative in the firm appears to have a much stronger effect on working conditions in Copenhagen than in Oslo.

Although there are many similarities between the labour market situation for Polish migrant workers in Oslo and Copenhagen, it appears that the Danish model of labour market regulation based on encompassing collective agreements and collective action has been slightly more successful in ensuring a relatively egalitarian wage structure. However, there is a substantial minority who does not enjoy the protection and benefits associated with the Danish organized labour market. The comparatively stronger effect upon wages and working conditions of having a trade union representative at the workplace illustrate a particular feature of the Copenhagen context of labour market incorporation – those who are “inside” the organized labour market enjoy stronger protection than in Oslo, but those who are outside enjoy less (Larsen, 2011; Arnholtz and Hansen, 2011).

8.3 Reykjavik: Flexible universalism and low wage incorporation

In absolute terms, the number of Polish migrants who have entered the Icelandic labour market cannot rival that of the other Nordic countries, but relative to the island’s small overall population, Iceland was in fact the number one receiver of Polish migrant workers among the Nordic countries in the years between 2004 and 2007. Iceland was, however, severely affected by the financial crisis of 2008, leading to a crash in the country’s booming construction industry, devaluation of the Icelandic Krona and a subsequent halt (and to some extent reversal) in migration flows. Reykjavik nevertheless still boasts a substantial population of Polish migrant workers. In terms of age and education levels they do not differ significantly from Polish migrants in Oslo or Copenhagen. However, in contrast to the male dominated populations of Oslo and to a lesser extent Copenhagen, their gender distribution is almost equal (55/45), and transnational family arrangements are far less common here, as only 10% report to have a spouse in Poland (It should be noted that these results would have looked different a few years earlier, since many commuting males returned in the wake of the crisis). Reykjavik is also the place where Polish migrant workers are found within the most diverse set of sectors – including construction work, industrial manufacturing and fish processing in particular and a wide range of low skilled services including several types of customer related services. This distribution reflects a partial acceptance of English as the working language of many services occupations – especially up until the crisis. In contrast to Oslo and Copenhagen, this opened

up several customer related service occupations to migrants who were unfamiliar with the native language.

Icelandic debates over social dumping was until the financial crisis centred around the operations of a growing unregulated industry of international temporary staffing agencies, who among other things supplied thousands of Central and Eastern European workers to the construction of a large hydroelectric power plant in the country's remote interior. The conflict ended with the passing of a number of new regulations that would bring these operations in line with Icelandic labour regulation, which in combination with the crisis led to the virtual disappearance of temporary staffing agencies after 2008. Since then, the issue of social dumping has been overshadowed by the severe economic crisis. However, Iceland appeared to have a much stronger framework for dealing with social dumping than any of the other Nordic countries. First of all it has one of the highest rates of unionization and collective agreement coverage in the world. Secondly, much of the new statutory regulations imposed in certain Norwegian sectors as a response to social dumping were already commonly applied in Iceland, as minimum provisions of collective agreements are routinely made legally binding for all workers. Low wage competition *outside* the existing regulatory framework is thus much more difficult in Iceland than in the other Nordic countries. As we shall see, however, there was ample scope for low wage competition *within* the existing framework.

Up until the crisis, Iceland was among the most attractive destinations in Europe in terms of nominal wages, but since the devaluation of the Krona, the value of Icelandic wages against foreign currency has plummeted by 40–50%. Our respondents report to earn on average the equivalent of about 30 Zloty – a meagre income compared to those earned by Poles in Oslo or Copenhagen, but still almost twice as much as their average earnings before leaving Poland. However, the earnings of Polish migrant workers in Reykjavik are not only meagre in terms of foreign currency; they are also substantially lower than those of native Icelandic workers. On average Polish migrants earn about 55% of the average Icelandic wage earner measured in hourly wages – well below the relative wages compared to natives of Poles in Oslo and Copenhagen. The purchasing power provided by their earnings in Iceland is also substantially lower (55–59%) than that of Poles in Oslo and Copenhagen. But why do migrant workers in Iceland earn relatively less compared to natives, when Iceland apparently has a much stronger and more encompassing framework of wage regulation than the two other countries? Once again the construction sector provides a key to understanding the

specific situation in Iceland. Less than one in ten Polish construction workers in Reykjavik earn less than the minimum wage for unskilled workers – as one would expect when almost every firm is organized and minimum standards are made legally binding for everyone. However, there is a lot more wage flexibility in the Icelandic collective agreement for the construction sector than in the two other countries. Minimum provisions for unskilled workers in the Icelandic collective agreement in construction are set at only 53% of the average wages in the Icelandic construction industry, compared to 61% in Norway and 62% in Denmark. This relatively low wage floor appears to have become the norm for Polish migrant workers. Only a minority receives wages equal to the minimum provisions for skilled workers, even though the majority of construction workers do have skills. This means that as long as migrant workers are defined as “unskilled” and receive the minimum wage, the relatively low wage floor within the Icelandic collective agreement has enabled considerable wage differences between native and migrant workers, without breaching collectively bargained and legally binding minimum provisions.

While the Reykjavik Poles are worse off in terms of earnings than their compatriots in Oslo and Copenhagen, they are far better off in terms of access to regular employment and reduced risk of arbitrary and exploitative treatment. Unlike their counterparts in Oslo and Copenhagen, the vast majority of Polish migrants in Reykjavik – about 80% – are permanently employed within Icelandic companies. Fixed-term contracts are rare, and the use of temporary staffing agencies, Polish subcontractor firms and various forms of self-employment, which have become so popular with Norwegian and Danish employers, are almost nonexistent. Neither do we find any significant market for domestic service provisions or undeclared work – which both (usually in combination) provide an important labour market for Polish migrants in Oslo and Copenhagen. As a result, they have much lower risk of experiencing any of our indicators of precarious and exploitative conditions. 27% of the Reykjavik sample report that they have been cheated out of pay by their employers (a result which may be accounted for by the sudden devaluation of the Icelandic Krona); 12% report that they have worked overtime without getting additional pay; 9% have received threats from their employers that they would be fired; 10% do not have a written work contract and 8% say that they would not be able to take sick-leave with pay if they were to fall ill for a couple of days. 38% of the Polish workers in Reykjavik report to have experienced at least one of these things during their stay in Iceland, and 26% report to have experienced one of

them in their current job in Reykjavik. All of these indicators are significantly lower than in the two other cities, where such occurrences are clearly related to the widespread use of atypical forms of employment. Another result of their incorporation into regular employment was that when the crisis hit Iceland and unemployment among migrant workers sky-rocketed, they had access to public unemployment benefits. In Norway, this was only partially the case, because of their high rates of atypical and informal employment. It is difficult to say exactly why Poles in Reykjavik have been incorporated into regular employment and enjoy a certain protection against arbitrary treatment, while this is not the case in our two other cities. It should be noted that had we collected our data a couple of years earlier, we might have found more workers affiliated through temporary staffing agencies and transnational subcontractors, but these operations all but disappeared after the introduction of new registration requirements bringing them into the existing legal and regulatory framework. A reasonable hypothesis is that the relative flexibility within Icelandic wage setting institutions, as well as flexible rules on hiring and firing, means that the incentives for trying to bypass regulations or avoid employer responsibility through the use of intermediaries and subcontractors are lower than in our two other cities. It is also more difficult to do so, given the universal and encompassing nature of Icelandic labour regulations. At the same time, this flexibility has allowed considerable low wage competition within the regular labour market.

8.4 Discussion and conclusions

Each Nordic country has its own historical traditions of regulating work and welfare, and there is no universal answer to how the challenges of an increasingly mobile and unequal European labour market will be met by national states. However, the comparative analysis presented here may shed some light on the particular challenges facing each of these three Nordic countries.

In Oslo, our results suggest that the Norwegian turn from a system based on voluntary collective arrangements towards *ad-hoc universalism* in the form of legal extensions of collective agreements, new statutory regulations regarding employer responsibilities and increased control and enforcement by the state has been highly warranted. Our data suggest that this move has been a partial success in terms of upholding a relatively high wage level among migrant workers, but not in terms of protecting migrant workers from arbitrary treatment. This development has taken

the form of a “race” between the government and social partners’ attempts to fill regulatory loop-holes on the one hand and strategic circumvention on behalf of employers seeking to minimize costs and risks through subcontracting and various forms of atypical and precarious employment on the other. As political discussions slowly move from a simple focus on wage dumping, towards a long-term concern for welfare state sustainability in a context of record high levels of labour related immigration, questions regarding employment security and labour market protection and incorporation may move to the forefront of the debate.

The Danish response to international mobility has been a continuation of its historical traditions of collective bargaining. Considerable concern about social dumping has raised the issue of state regulation to the public agenda, but so far the majority of trade unions and employer organisations are against political regulation of wage levels. Our analysis shows that Poles in Denmark are relatively better off compared to native workers than their compatriots in Oslo. Nevertheless, they face many of the same risks, but in a system that is legally less clear. Our results suggest the *development of a two-tier system of inclusion*. Despite having the overall most egalitarian wage structure, there are still higher shares of migrant workers who are paid below the minimum wages set in the collective agreements compared to the other two cities. It seems that while those inside the organized labour market enjoy more protection than their counterparts in the other Nordic countries, those who are left outside enjoy less. However, the distinction between inside and outside is less clear, with both legal provisions, collective agreements and the presence of local trade unionists playing their part.

Reykjavik and Iceland’s system of *flexible universalism*, where statutory regulations automatically apply to everyone, but with considerably more leeway for low wage competition within the existing regulatory system, has in some ways “succeeded” in incorporating migrant workers into the existing framework of employment – although only after a fierce battle against the temporary staffing industry. It has done so, however, at the cost of extensive low wage competition within the system. In the midst of pressing economic challenges, Iceland’s ability to incorporate new migrants may well be more related to applying systems of approving foreign educational credentials, and providing language training, in order to enable migrant workers to escape their position at the bottom and move up the wage ladder.

The analysis shows that all three capital cities are faced with several challenges regarding the institutional ability to incorporate new migrant workers into existing labour market structures and protect them from

exploitative and precarious conditions. Some of these challenges are related to certain broad patterns that are similar in all three cities. Although education level from Poland has some bearing on their labour market outcomes in their Nordic host countries, our analysis suggest that labour market outcomes are much less related to their individual characteristics and human capital than to their structural position on the host country labour market. Despite having varied backgrounds in terms of educational and occupational experiences, Polish migrants are primarily recruited to perform work that requires relatively few formal skills within a quite narrow set of industries. They are usually found low on the status ladder of domestic labour markets, earning significantly lower wages than natives, and enjoying far more precarious and in many cases exploitative working conditions than what is common within the Nordic labour markets. This general trend seems to be the result of the intersection of segmentation into specific low wage and low status sectors combined with an overrepresentation in the use of atypical forms of employment. Thus, workers within low skilled services and parts of the construction industry appear to be particularly at risk compared to those working in other parts of the labour market.

At the same time, however, we find significant differences between the three cities, in terms of how risks and rewards are structured among the new migrant workers, as well as in how these challenges have been met. Regarding the outcome for Polish migrants in terms of wage levels and risk of precarious conditions, these two factors appear to be inversely correlated at the city level; Oslo being the most rewarding destination in monetary earnings, but also the place where migrant workers are most at risk of exploitative and illegal treatment, and Reykjavik being the least profitable destination in earnings, and at the same time where migrants are least at risk of exploitative treatment. Which one of the two should be considered the most successful in protecting migrant workers, depends on what is considered more valuable: high wages or secure terms of employment?

There are also significant differences in terms of what produces these outcomes. In both Oslo and Copenhagen, the labour market for Polish migrant workers is structured into different segments, where casual employment relations, temporary staffing, transnational subcontracting and household service provision function as drivers of low wage competition and more precarious working conditions. In Copenhagen, however, being inside or outside the system of collective bargaining (measured by having a trade union representative at the workplace) still has a much stronger bearing on outcomes than in Norway, leaving those out-

side much more at risk of substandard conditions. In Reykjavik, outcomes are not structured in the same way, and few of the variables which explain wage variation in Copenhagen or Oslo have any significant effect in Reykjavik. Instead, it seems that the relatively flexible and universal Icelandic regime has placed Polish migrants more uniformly in the bottom of the wage scale, although with far better protection against exploitative conditions.

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PART III:

Temporary staffing and the rise of a migration industry in the Nordic countries

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9. Introduction and research questions

Jon Horgen Friberg, Fafo

Parallel to the growth of labour migration from Central and Eastern Europe to the Nordic countries over the last eight years, there has also been a significant growth in the business of temporary staffing and recruitment in the Nordic countries. These trends are by no means unrelated. Temporary staffing agencies are heavily involved in recruiting migrant workers to the Nordic countries and many migrant workers continue to be employed through temporary staffing agencies in their receiving labour markets long after their arrival. But the link between them remains less than clear cut. Native workers still constitute the majority within the temporary staffing industry in most countries, and the majority of recent labour migrants are recruited through other channels. Furthermore, the strength of the link between the two phenomena varies between different countries, and depending on client sectors. In some sectors in some countries (such as shipyards and construction in Norway), the temporary staffing industry is now a pure “migration industry” based solely on the recruitment and employment of migrant workers. In other sectors and other countries temporary staffing does not have any particular connection with labour migration. Temporary staffing has also become the focus of significant political controversy over the last few years. Although these controversies are not solely related to migration, they often are – with concerns over “social dumping” and exploitative working conditions playing a key role. At the same time, substantial efforts to re-regulate the industry has been launched in many of the Nordic countries – at the national level, but also through the implementation of the EU Temporary and Agency Workers Directive (2008/104/EC). In this part of the project we will explore the development in the temporary staffing industry in the Nordic countries and the ways in which these developments are connected to migration. By analysing not just the market for temporary staffing of migrant workers in destination countries but also the market for recruitment of workers in

Poland, we will focus on this link from both the sending and receiving end of the chain. By comparing the situation and development in the Nordic countries we will further explore how the business of temporary staffing is institutionally embedded and shaped by the general systems of labour market regulation as well as particular regulations of the temporary staffing industry in different countries.

9.1 The global growth of the temporary staffing industry

The growth of the temporary staffing industry in the Nordic countries is part of an international trend which has seen the temporary staffing industry expand rapidly over the last few decades to become a significant feature of many national labour markets throughout Europe, the Americas, East Asia, Australia and South Africa. In just over a decade, the global annual sales revenue of the temporary staffing industry has increased by 310%, from 83 billion EUR in 1996 to 257 in 2007. A few key global corporations such as the three largest – Adecco, Manpower and Randstad – play an important role in several countries, accounting for almost 20% of global revenues in 2009 (CIETT 2012). The industry felt the impact of the financial crisis in 2008, with declining sales revenues in 2009. In 2010 and 2011, however, the business started recovering in many places. Moreover, temporary staffing has changed from simply meeting the ad hoc needs of employers for small numbers of workers, to a form of work that has become “integral to business strategy” across a wide range of client sectors, both public and private (Nollen 1996, Coe *et al.* 2010). One way of capturing the growing relative significance of the temporary staffing industry is to measure its penetration rate in different countries, meaning the percentage of the total workforce constituted by workers employed in temporary staffing.

Table 3.1.1 Agency work penetration rates in selected countries between 1998 and 2010

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
UK	2,6	2,8	3,7	3,7	3,7	3,9	4,1	4,2	4,3	4,7	4,1	3,7	3
Netherlands	2,4	2,4	2,3	2,2	2,1	1,9	1,9	2,2	2,5	2,8	2,9	2,4	2,5
France	2	2,2	2,5	2,5	2,3	2,2	2,3	2,3	2,4	2,5	2,3	1,7	2
Germany	0,7	0,7	0,9	0,9	0,9	0,9	1,1	1,2	1,5	1,9	1,9	1,6	2
Luxembourg	1,2	1,7	2,2	2,1	2,1	2,1	1,2	2	2,5	2,4	1,9	1,9	1,9
Ireland	0,6	0,6	1,5	1,4	1,4	1,4	1,3	1,3	1,5	1,7	1,7	0,9	1,9
Belgium	1,6	1,6	1,7	1,7	1,6	1,6	1,8	1,8	2,1	2,2	2,1	1,6	1,9
Hungary					0,8	1	1,3	1,4	1,4	1,4	1,4	1,2	1,8
Portugal	0,7	0,9	0,9	0,9	0,9	0,9	0,9	0,9	0,9	0,9	1,6	1,6	1,7
Austria	0,6	0,7	0,8	0,9	0,8	1	1,2	1,2	1,5	1,6	1,6	1,4	1,6
Switzerland	0,8	0,9	1	1	0,9	0,9	1	1,2	1,5	1,7	1,7	1,4	1,6
Sweden	0,4	0,6	1	0,9	0,8	0,7	0,7	0,7	0,8	1,3	1,3	1	1,3
Finland	0,4	0,3	0,4	0,5	0,4	0,5	0,6	0,7	0,7	1,1	1,3	0,8	0,9
Norway	0,5	0,5	0,5	0,5	0,5	0,4	0,5	0,6	1	1	1	0,8	0,9
Denmark	0,3	0,3	0,3	0,4	0,4	0,4	0,5	0,6	0,7	0,7	0,7	0,7	0,8
Italy	0	0,1	0,3	0,3	0,4	0,6	0,7	0,7	0,8	1	0,9	0,7	0,9
Spain	0,8	0,9	0,7	0,7	0,6	0,6	0,7	0,7	0,7	0,8	0,6	0,4	0,5
Poland						0,1	0,2	0,2	0,2	0,4	0,5	0,5	0,7
Slovakia											0,6	0,6	0,8
Czech Republic											0,7	0,7	0,7
Rumania											0,3	0,3	0,5
Bulgaria											0,1	0,2	0,3
Greece										0,2	0	0,1	0,1

Source: CIETT Economic Report 2012.

(http://www.ciett.org/fileadmin/templates/ciett/docs/Stats/Ciett_econ_report_2012_final.pdf).

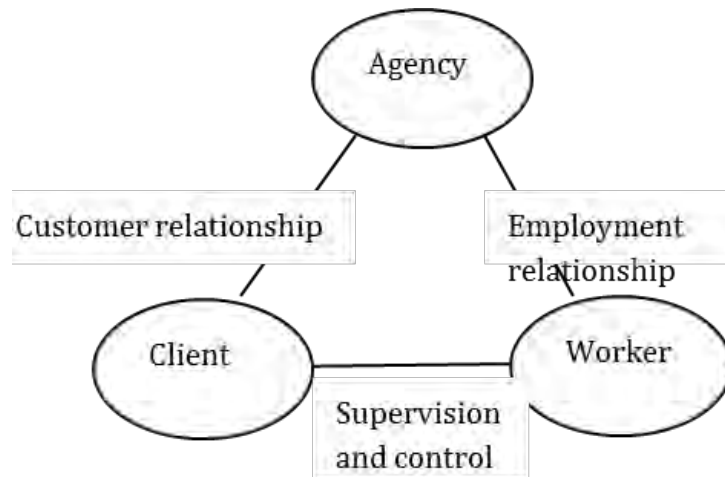
It should be noted that these numbers which are based on CIETT national federations underestimate the real penetration rate of temporary work agencies, since many agencies are not affiliated with any federation. For example, the real penetration rate of temporary staffing in Norway in 2008 was estimated to be 2.3% rather than 1 (see chapter on Norway in this report). But if we focus on the relative differences between countries and the changes over time, we may nevertheless derive several important things from this table. First of all, European countries differ in terms of the *maturity and size* of the temporary staffing industry. In countries such as the UK in particular, but also the Netherlands, France and Belgium the temporary staffing industry was already a significant part of their labour markets in the late 1990s, and temporary staffing today makes up more than 2% of the workforce (according to CIETT numbers). In the other end of the spectrum we find emerging economies in Central and Eastern European countries where the market for temporary staffing is not very developed and constitute a relatively small part of the workforce, but where the industry seems rapidly expanding. The Nordic countries are all found around the middle of this scale. The temporary staffing industry was present, but relatively small

in the 1990s and has over the course of the last decade grown to encompass about 1% of the total workforce. Within the Nordic countries, however, Sweden represents the country with the most mature market for temporary staffing. Most European countries have experienced significant growth in the relative importance of the temporary staffing industry. However, the growth has been substantially higher in some countries – such as UK, Ireland, Germany and Austria – than in others – such as Portugal, Spain and France (who actually experienced contraction). While some of those countries with the highest growth rates are found in the mature category, others are newly developing markets, such as Poland and the Czech Republic. Once again the Nordic countries represent a middle ground. All having significant growth rates, but not among the highest in Europe. Finally, the market for temporary staffing was severely affected by the financial crisis, as almost every country in Europe experienced significant drops in the relative share of workers found in temporary staffing. Note that this reduction does not only reflect a general economic decline, but a decline in relative importance of the industry. In other words, the temporary staffing industry was affected much more than the general economy in almost every European country. However, the industry was quick to recover and by 2010, it had bounced back to pre-crisis levels and continues to grow. In fact, the temporary staffing industry appears to be thriving in many otherwise crisis-stricken economies (CIETT 2012).

When analysing the development of the temporary staffing industry in the Nordic countries we have to take account of the fact that these developments are part of a much larger global trend, and that the questions raised in the Nordic countries as a result of this development are not unique. Furthermore, they are not uniquely related to migration – even though migration in many places has played an important role. Before we move to explore the specific link between migration and temporary staffing, we will therefore take a closer look at the international research of the business of temporary staffing in general.

9.2 Research on temporary staffing – the main topics

Figure 3.1.1 *The triangular relationship between agencies, clients and workers*



The business of temporary staffing and recruitment is primarily defined by the triangular relationship between the worker, the client firm and the temporary staffing agency. According to Coe *et al.* (2010), research on temporary staffing has usually focussed on either the perspective of *client firms* or on *the workers*, while their own research also focuses on the agency of the staffing agencies themselves.¹⁴ Most research into the activities of temporary staffing agencies does not focus on agencies as mediators and employers of *migrant* workers in particular. However, the general questions and perspectives raised in this literature are no less relevant for understanding agencies that employ migrants. But the motives, processes and consequences involved may play out differently for migrant workers than other groups of workers, and the transnational links involved in facilitating the employment of migrant workers adds several new aspects into the equation.

The client firm perspective: Research into the rationale of client firm who use temps have identified a number of reasons why some firms prefer to hire workers through temporary staffing agencies rather than employing them directly within their own firms. Traditionally, many firms use temporary agency workers to obtain *numerical stability* (Nesheim

¹⁴ <http://www.sed.manchester.ac.uk/geography/research/gotsu/>

2003). These firms typically hire temps to fill temporary vacancies, as a result of sickness, maternity leave etc. The main rationale is then to maintain the stability of its workforce in the face of variations in labour supply.

The “flexible firm” approach, dating back to Atkinson (1984), argues that employers also use temporary agency workers in order to obtain *numerical flexibility* (Kalleberg 2000). In this case, the rationale for using temps is the complete opposite – not to maintain the stability of the workforce in the face of variations in labour supply, but to adjust the size of the workforce in the face of variations in labour demand. Client firms divide their workforces into a core workforce, consisting of their internal staff, and a peripheral workforce, consisting of externally affiliated workers such as temps and subcontractors. While core workers perform the kinds of tasks which require complex skills, firm-specific knowledge and the ability to perform different kinds of task, external or peripheral staff is used for low skilled routine tasks which require less firm loyalty. This enables them to reduce turnover of the trained staff, while making rapid adjustments of the size of the workforce, as a response to seasonal or cyclical changes in labour demand using their temporary staff as a buffer.

Another reason for using temporary agency workers is to *reduce labour costs*. Usually – depending on national regulations – temporary agency workers are paid less than permanent employees, but once the agencies have charged their “mark-up” fee the actual wage cost are not necessarily lower. However, reduced liability for holiday pay, maternity cover and sick pay entitlements, can still lead to considerable savings for client firms. Furthermore, using temp agency workers can reduce costs involved in recruitment and administration of employees. By outsourcing these functions, firms can concentrate on their core activities. A fourth reason why firms use temporary agency workers is a form of recruitment. Hiring temps can be a way of “screening” the market for potential permanent employees. Recruiting permanent staff from a pool of temporary agency workers enables businesses to monitor their on-the-job performance and “try them out for size” before making any commitments. This allows firms to employ “riskier” workers – such as migrants – on extended probation periods and “skim the market” for the best candidates.

Finally, client firms can use temporary staffing agencies to externalize the risks associated with directly employing workers on a permanent basis (Connell and Burgess 2002; Houseman *et al.* 2003; Purcell *et al.* 2004; Van Breugel 2005). By outsourcing the contractual employment relationship to external agencies, client firms can avoid the social, legal and contractual responsibilities and risks associated with in-house employment, and even avoid compliance with standard employment regu-

lations, occupational health and safety regulations and “unfair dismissal” legislation (Autor 2000; Befort 2003; Gray 2002; Hall 2006). It is obvious that these different rationales for using temporary staffing agencies are not mutually exclusive in any way, and actual firms may have a combination of overlapping motives. Nevertheless, the weight given to each specific rationale may vary considerably between different client firms and between client firms in different industries and sectors, depending on the structure and variation in labour demand. The importance given to these different motives may also play out differently for client firms hiring predominantly migrant labour than for those hiring native workers, partly because migrants and natives in the temporary staffing industry are hired to perform different kinds of work in different industries, and partly because hiring migrant labour in itself presents certain specific challenges and risks.

The workers perspective: According to Coe *et al.* (2010), the literature exploring the temporary staffing industry from the perspective of the workers is centered on two main topics. The first has to do with why some workers “choose” to work through a temporary staffing agency. On the one hand, the human capital approach argues that certain groups of workers are overrepresented in temporary staffing agencies as a result of rational economic decisions. Some workers – such as married women with children, young people, older people (or temporary migrants for that matter) – may prefer to work through an agency because they have a marginal commitment to work and prefer a more “flexible” attachment to the labour market than standard employment (Druker and Stanworth 2004). Furthermore, agency workers may choose this kind of work as a gateway into permanent employment. By getting experience and familiarity with several different employers before making any commitments, agency employees can gain work experience, job leads and improved employability (Van Breugel 2005).

The labour market segmentation approach argues the exact opposite; that most agency workers – particularly in the bottom end of the labour market – would prefer permanent employment but are forced to accept temporary agency work because they have limited options (Connell and Burgess 2002; Purcell *et al.* 2004; Storrie 2002). The overrepresentation of certain groups in temporary agency work stems, according to the segmented labour market approach, not from preferences but from these groups lack of social and educational capital in order to access more stable and rewarding employment. Furthermore, many writers within this approach claim that temporary agency work is not necessarily a gateway into permanent employment, but may constitute a dead-

end (Anderson and Wadensjö 2004; Booth *et al.* 2002; Gray 2002; Korpi and Levin 2001). A second strand of literature focuses on how temporary staffing, through the tripartite employment relationship, changes the regulation and control of labour within the production process (Gottfried 1992; Smith 1998). A number of empirical studies emphasize how temporary agency workers are subject to the “dual control” of overlapping sanctions of the agency and the client firm (Gottfried 1991; Smith & Neuwirth 2008). According to some of these studies the belief that strong work performance may lead to a permanent job (the “stepping stone thesis”), combined with the uncertainty and risk is intrinsic to temporary agency work, is first and foremost a tool for disciplining and regulating workers.

The agency perspective: Relatively less research has been devoted to the agency of the agencies themselves in engaging in a variety of activities which contribute in shaping labour markets and labour relations (Coe *et al.* 2010). By actively promoting particular forms of flexibility, agencies are actively engaged in reshaping the norms and expectations of both workers and employers in increasingly diverse industries and occupations (Peck and Theodore 2002). On the one hand, this has been part of corporate strategies of internationalization and diversification on behalf of the major global players in the industry who have sought to continually expand their businesses into new markets – be that new countries, new sectors and occupations or new functions within existing markets (Peck *et al.* 2005). These global corporations are also the dominant actors on the Nordic national markets. On the other hand, the agencies and those who represent them, such as the International Confederation of Temporary Work Businesses (CIETT) or national employers’ associations organizing temporary staffing firms, are actively engaged in the political sphere trying to restructure both the regulation of their own industry and of the mainstream employment relationship. This is not least evident in the contemporary struggles over the national implementations of the EU Temporary and Agency Workers Directive (2008/104/EC)

9.3 Temporary staffing and migration

There is no doubt that temporary staffing and recruitment agencies can play an important role as mediators of migration, by matching supply and demand for labour in a context of risk, uncertainty and limited information, and because access to migrant labour give temporary staffing agencies opportunities to expand in markets that otherwise would be

off-limits. From the point of view of client firms, temporary staffing and recruitment agencies can offer a way to employ migrant workers with less risk, administration, responsibility and (sometimes) labour costs and more flexibility. As a result, firms who would otherwise not have taken the chance of employing migrant workers directly within their own organization may still choose to hire them through agencies. From the point of view of potential migrants in sending countries, temporary staffing and recruitment agencies may contribute in reducing risks and costs involved in migration. Through institutionalized procedures for recruitment, provision of housing accommodations, facilitating language or other kinds of training, and by having procedures for taking care work permits, registrations etc, temporary staffing and recruitment agencies can facilitate the migration of people who otherwise would not have considered the option or taken the chance of going abroad. Research has shown that while labour migration is usually a network-driven phenomenon, the activities of temporary staffing and recruitment agencies can act as a substitute for informal networks.¹⁵ At the same time, migrant workers who have limited language skills and lack access to high quality job-search networks in the receiving country are often forced to accept jobs at substandard working conditions. Since many firms prefer to employ migrant workers through temporary staffing agencies, migrants may have to take temporary agency jobs even if they would prefer permanent employment.

From the point of view of the temporary staffing and recruitment agencies, migrant workers are a valuable resource. Because temporary jobs usually offer fewer rewards and less status than permanent in-house employment, agencies will often have difficulties in recruiting workers to certain kinds of temporary jobs. With access to migrant laborers – who usually have fewer alternative options due to limited language skills, who often may see work in the receiving country as just a temporary source of income, and who are often less concerned with status hierarchies in the host societies – agencies are provided with the opportunity to expand their business into new sectors and segments of the labour market which otherwise would be difficult or impossible to staff. As a result of these mechanisms, the business of temporary staffing

¹⁵ This hypothesis is supported by findings from the Polonia-survey in Oslo. In general, 86 percent of the Polish migrants in Oslo reported that they knew someone in Norway before migrating. Among those who had their first job in Norway in a staffing agency, however, this was reported by only 49 percent. This suggests that the agencies can work as a substitute for informal network connections (Friberg & Eldring 2011).

and recruitment can contribute in boosting migration flows, or in changing their patterns. At the same time, migration may contribute to the expansion of the temporary staffing industry, in terms of sheer numbers and in terms of new sectors and industries.

This means that the questions raised in the general research on temporary staffing are no less relevant in the context of migration. The answers to them, however, may differ. The rationale of client firms for hiring migrant workers through temporary staffing agencies rather than employing them directly may or may not be different than what would be the case for native workers. Similarly, the reasons why migrant workers “choose” to work for temporary staffing agencies – or the degree to which they have a real choice – may or may not be different than for other groups of workers. The degree to which temporary agencies function as stepping stones into regular permanent employment may be very different for migrant workers than for other groups of workers, and this may also vary depending on the different motives which client firms in different sectors have for hiring them in the first place. Finally, the way the agencies themselves work in order to promote their business and expand into new markets may or may not be influenced by the extent which their operations are based on hiring out migrant workers.

9.4 Political controversy

The growing significance of the temporary staffing industry – and in particular its role as a facilitator of labour migration – have spurred political controversy all over Europe, and the dividing line of the debate tend to follow traditional fault lines with employers and political parties on the right (as well as the EU commission) on one side, and unions and parties to the left on the other.

According to the EUs Lisbon Strategy, temporary staffing agencies can play an important role in facilitating more flexible, dynamic and sustainable transnational labour markets in Europe, by matching supply and demand, and reducing information asymmetries and transaction costs usually associated with cross-border labour mobility. National boundaries and language differences constitute significant hurdles to the optimal utilization and allocation of human resources across the common European labour market (EU 2010), but temporary work agencies can play an important role by providing necessary training, helping out with of legal papers, housing and matching workers in sending countries with several different client firms in destination countries, lowering the

risk and cost of work temporarily abroad. In the process of establishing a flexible labour market, the temporary staffing industry is seen as “a purveyor of flexibility not just at the “micro” level (in meeting the needs of individual enterprises), but also at the “macro” level – mediating macroeconomic pressures and socio-economic risks across the labour market as a whole” (Peck and Theodore 2007: 171–2).

In line with this perspective, the organizations representing the industry, such as the European Confederation of Private Employment Agencies (EuroCIETT), have argued that a well regulated staffing industry accommodates the needs of both workers and employers in an increasingly flexible economy, by giving firms access to a flexible workforce, while at the same time securing the interests of the temporary migrant workers through orderly and legal terms of employment and the provision of information and practical support. By providing access to consecutive assignments with several different employers, agencies can satisfy both the labour markets’ need for flexible temporary labour and for the workers need for stable income. By providing an opportunity to acquire country specific skills and access to temporary assignments for different employers, staffing agencies can help migrant workers access a broader range of employment opportunities. For those who decide to stay, temporary staffing agencies are therefore often thought to serve as a temporary stepping stone into regular permanent employment in the host country.

More skeptic observers, on the other hand, tend to see the growth of the temporary staffing industry and its involvement in moving workers across borders as part of a global trend of neo-liberal restructuring of labour forces and the erosion of traditional employment relations through subcontracting, temporary employment, casual work and growing informal economies (see e.g. Castles 2010). According to the structuralist perspective, migration plays a key role in this process, as both a cause (employers can undercut labour standards by employing less demanding migrants) and effect (demand for cheap and flexible workers is a “pull” factor driving migration flows). The result is a process of ethnic *labour market segmentation* whereby workers are divided into primary and secondary segments based on characteristics such as ethnicity, nationality and gender, rather than individual human capital. The growing significance of temporary staffing agencies as employers of migrant workers, is just one way of dividing the workforce into a core of stable jobs and a hyper-flexible buffer of externally affiliated workers, and with few opportunities for mobility between them (Meardi *et al.* 2012).

Labour unions have argued that the (TWAs temporary work agencies) promote social dumping and precarious working conditions, and undermine the right to permanent employment and collective bargaining. A 2012 report published by IndustriAll argues that “agencies, labour brokers, dispatchers and contractors is being used to wholesale replace permanent, direct employment. Its use goes way beyond any legitimate need to fill genuinely temporary vacancies” and that the “triangular relationship between the user enterprise, the agency and the worker, [is] isolating the worker from the enterprise that effectively controls their work, their pay and their conditions so that the worker has no say in any of them and has no mechanism to negotiate improvements” (Industry-ALL 2012). From the perspective of unions, the growth of temporary staffing undermines collectively bargained rights and nationally regulated employment protection. Some version of this controversy has manifested itself in all the Nordic countries. But as we shall see the context of these controversies is quite different from one country to another.

9.5 Research questions and structure of report

This study is not designed to test any single specific hypotheses derived from earlier research. Instead we have adopted a qualitative explorative and mostly descriptive research design, based on available statistical information, case studies of specific agencies and interviews with key actors and social partners. We focus on describing the growth and composition in temporary staffing over the last ten years in the Nordic countries; variations in how temporary staffing agencies operate in different countries and industries; how the business of temporary staffing is linked to migration; and the ways in which temporary staffing is shaped by and in turn shapes labour markets in the Nordic countries. More specifically we will focus on three main research questions:

- How and to what extent is the business of temporary staffing related to the growth in labour migration to the different Nordic countries, and how do temporary staffing agencies contribute in shaping migration flows to the Nordic countries?
- How do temporary staffing agencies contribute in shaping working conditions and working environment for immigrant workers in receiving countries?

- How are the activities and modes of operation within the temporary staffing industry institutionally embedded in the different national regimes for regulating labour markets in general and temporary staffing in particular?

Following this introductory chapter, chapter two describes the general regulatory framework for temporary work agencies in the Nordic countries as well as in Poland. Most of the remainder of the report is structured into country specific case studies (chapter 3–7). The first of these country case studies deals with a sending country perspective, exploring the recruitment market in Poland. The remaining country studies then describe and analyse the development and operations of the temporary staffing industry in each Nordic receiving country. These chapters can be read separately, but will form the basis of a comparative analysis in the concluding chapter eight.

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10. The regulatory framework of temporary agency work

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This chapter will describe and analyse the development in the regulatory framework for temporary staffing in the Nordic countries and Poland, as well as on a supranational European level.

Until the adoption of the EU Directive on temporary agency work (2008/104/EC) in the autumn of 2008, the regulatory framework for this industry had mainly been left to the Member States.¹⁶ The sector was first addressed in regulatory way by the national states in the 1960s and 1970s when some countries introduced restrictions on this kind of work.¹⁷ In the late 1980s and 1990s deregulation of the sector took place, especially in the Northern part of Europe. Denmark removed their restrictions in 1990, Sweden in 1991, while Norway had a major revision of the legal framework in 2000.¹⁸ Poland and Iceland on the other hand did not have any regulations recognising temp agency work until the first decade of the 2000s (Unterschütz 2009, CESC 2011).

Regulations on temporary agency work around Europe cover diverse aspects of the triangular relationship between the worker, the temporary work agency and the user undertaking. On the one hand we can find regulations addressing the agency by putting down obligations for running this kind of business. This could for instance be a duty to register or obtaining a license. Secondly there are regulations addressing the relationship between the employer and the employee, e.g. a principle of equal treatment or fixing minimum wage and working conditions for

¹⁶ With exception for health and safety issues as were regulated in 1991 (Directive 91/383/EC).

¹⁷ In Arrowsmith (2006) this is described as the 'first wave' countries. The Netherlands was the first country to regulate temp agency work in 1965. Other countries included in this group were among others, Germany, Denmark, Ireland, France, UK, Belgium and Norway. In Sweden a legislative amendment in 1942 of the 1935 act on the Ban of Private Employment Exchange was interpreted to prohibit temp agency work (Ahlberg *et al.* 2008).

¹⁸ See Arrowsmith (2006) for an overview of the introduction of regulations and deregulation in EU member states.

this kind of work. Thirdly there are regulations putting restrictions on the relationship between the user undertaking and the temp agency, limiting situation sectors where hiring in or out are allowed or limiting the duration of assignments.¹⁹

The first discussions on the need for an EU regulation in this field started almost 30 years before the final text was adapted. It proved difficult to get the Member States to agree on a draft proposal, and neither did the social partners manage to find a common view on this topic. The negotiations between social partners at EU level failed in 2001, and the task to draft a directive that could be accepted by Member States was then sent back to the Commission. After two drafts and years of standstill the directive was finally adopted 19 November 2008.²⁰

There are several reasons for why it took so long to reach an agreement at EU level. One is the diverse regulations within this field among the EU Member States (Ahlberg *et al.* 2008). While the Nordic countries, Great Britain and Ireland have few or none restrictions on temporary agency work, the situation is the opposite in many central and southern European countries (Kvasnicka 2005). This made it difficult for both social partners and the Member States to come to an agreement. Furthermore, trade unions have been quite ambivalent when it comes to temp agencies, i.e. whether they want to contribute to increasing employment within this industry (Ahlberg *et al.* 2008).

The purpose of the directive can be said to be two-headed. On the one side it seeks to protect the temporary agency worker, and on the other side it aims to create more jobs within the industry. Two articles in the directive seem to be particularly important to fulfil these purposes. Article 5 introduces a principle of equal treatment, where it says that “The basic working and employment conditions of temporary agency workers shall be...at least those that would apply if they had been recruited directly by that undertaking to occupy the same job.” “Basic working conditions” are defined by the directive as conditions duration of working time, overtime, breaks, rest periods, night work, holidays, public holidays and pay, see article 1. However, this covers conditions that are laid down by legislation, regulations, administrative provisions, collective

¹⁹ The user undertaking may also have some obligations as regards the hired agency worker, e.g. responsibility as regards health and safety.

²⁰ COM(2002) 149 final and COM(2002) 701 final. In the end it was the idea of connecting the process of adopting the directive with the amendment of another problem area – the working time directive (Heuvel 2011). For a description of the EU process see Ahlberg *et al.* (2008).

agreements and/or other binding general provisions in force in the user undertaking, only, indicating that conditions in individual contracts are not to be taken into account.

Secondly, in article 4, it says that prohibitions or restrictions on the use of temporary agency work shall be justified only on grounds of general interest relating in particular to the protection of temporary agency workers, the requirements of health and safety at work or need to ensure that the labour market functions properly and abuses are prevented. All Member States are, in accordance with this article obliged to review any restrictions in order to verify whether they are justified. The directive addresses agency work that takes place within the national borders of a Member State. If an agency worker is posted from one state to another, the Posting of Workers Directive (96/71/EC) will prevail over the temporary agency work directive.

The temporary agency work directive was to be implemented by 5 December 2011, but the Nordic countries exceeded this deadline. In Finland the directive was implemented from March 2012, in Sweden from January 2013 and in Denmark from July 2013. Norway and Iceland are bound to implement the directive through the EEA agreement. The Norwegian parliament finally passed the new legislation in June 2012, and the Icelandic parliament in December 2012. In this part we will look at the regulations in Denmark, Iceland, Norway, Poland and Sweden prior to the directive, in order to see how these regulations can facilitate or restrict posting or migration of agency workers between EEA countries, as well as discussions related to the EU legislation in this area.

10.1 Statutory law or collective agreements?

Even though the Nordic countries are known for strong collective agreements and high coverage of collective bargaining, regulation models vary widely within the temp work agency industry. Denmark and Sweden hardly have any statutory regulations within this field. The sector is regulated through collective agreements. Iceland has a combination of both instruments. Norway has some statutory regulations, but the absence of collective bargaining, due to low union density, has until recently been striking. Poland, not having the same tradition for collective bargaining, has statutory regulations, but no collective agreements covering this industry.

There are mainly three approaches for regulating temp work in Denmark. There are collective agreements that are concluded by social

partners within the temp industry, which covers temporary agency workers, e.g. *Vikaroverenskomsten* between the Danish Chamber of Commerce and 3F (United Federation of Danish Workers) (2010–2012). Secondly, temp agencies can be bound by agreements that cover other industries. According to Danish law companies affiliated to an employer organisation is bound by the collective agreements entered into by this organisation. Thus if a temp agency becomes a member of another employer organisation like the Confederation of Danish Industry, the company will be bound by agreements concluded by this employer organisation, eg *Industriens overenskomst* regardless of whether it is a manufacturing company or a temp agency. Consequently, if the temp agency hires out a worker that conducts work that is covered by the scope of this collective agreement, the temp agency will have to comply with regulations within this agreement. Finally, Danish collective agreements that bind the user undertaking can be held to cover agency workers hired by the user company, either by attachments to the agreement where it is explicitly stated that the agreement covers all employees working under the supervision and direction of the user company, or where the agreement by nature is meant to cover all workers in an area, including temp workers.²¹ Temp workers are for instance explicitly covered by *Industriens overenskomst* between the Confederation of Danish Industry and CO-Industri, and *Bygge- og anlægsoverenskomsten* between The Danish Construction Association and 3F (United Federation of Danish Workers), while the same scope is ascribed to the collective agreement for electrical work between Tekniq/ELFO and the Danish Union of Electricians by arbitration.²²

As in Denmark, Swedish regulations on temporary agency work are solely based on collective agreements. Agreements are concluded between the employer organisation for temporary work agencies, the Swedish Staffing Agencies, which is part of Almega (the employer organisation

²¹ In Denmark there are two kind of collective agreements, namely area agreements and member agreements. The first covers all employees that are covered by the scope of the agreement, while the latter only covers those that are members of a trade union (Kristiansen 2004).

²² The Danish models of regulation can be seen as a result of trade unions responding differently to the challenge of regulating the temp industry. In the service sector trade unions lacked members and representatives that could ensure that hired employees were covered by existing agreements. To make sure that temp agency workers had their wage and working conditions protected by a collective agreement, they concluded agreements directly with the temp agency industry. Within the metal working industry the situation was quite the opposite. Their strategy was to make sure that hiring companies had an obligation to secure temp workers equal conditions compared to the employees of the hiring company (Andersen 2007). In this way they have also the tools to ensure that temp workers are not used to undermine existing working conditions.

for the Swedish service sector), and the respective trade unions. There is one agreement between the employer organisation and LO that covers blue collar workers (the Staffing agreement). For salaried employees there exist two parallel agreements with Unionen and the Swedish University Graduate Unions respectively.²³ The agreements for blue collar and white collar workers differs in their way of regulating this industry, where the principle of equal treatment has a strong standing in the agreement for blue collars workers. There are hardly any statutory regulations that are directly pointed at temp work. However, trade unions may under certain circumstances veto a decision to enter into an agreement between the using undertaking and the agency.

Due to low union density within the temp agencies, collective agreements have so far had little influence on temp workers' working conditions in Norway. An agreement between the Norwegian Confederation of Trade Unions (LO) and the Enterprise Federation of Norway (Virke) in 2000 was never put into practice. In the aftermath of the EU enlargement, the construction divisions of the temp agencies Adecco and Jobzone recruited a large number of Eastern European workers, especially within the construction sector. The LO affiliated trade union Fellesforbundet recruited several members within these companies and managed to get the companies bound by the collective agreement for the construction sector. However, the Confederation of Norwegian Enterprises (NHO) initially preferred an industry agreement for the temp agencies, and in 2010 LO and NHO entered into an "agreement of principles" while they were awaiting the implementation of the EU directive.²⁴ In 2012 NHO did a complete turnaround and agreed with Fellesforbundet and LO to terminate this agreement, and decided that temporary agency workers should be covered by collective agreements of the industries they were hired in to. Unlike the Danish model, the Norwegian agreement requires that the temp agency is bound by this agreement. If not, the worker is entitled to the same conditions but not covered by the agreement as such.

Iceland does not have industry collective agreements for this sector. However, the general collective agreement between Samtök atvinnulífsins (SA) and Alþýðusamband Íslands (ASÍ) are made generally applicable for all sectors, and is thereby putting down wages and working conditions for

²³ There also exist supplements to the agreement on health and long-term care.

²⁴ The agreement put down how wages and working conditions were to be fixed within temp agencies bound by the agreement.

employees also within this sector. Regulations, mainly administrative requirements on agencies, are also put down by legal acts.

Unlike the other countries in this study, Norway and Poland have statutory law listing admitted grounds for using temp agency workers. Poland has furthermore regulations limiting the length of an assignment. As mentioned before there are no collective agreements in Poland covering this kind of work, but as most other European countries, except the Nordic countries and a few others, Poland has a statutory minimum wage.

The Finnish model consists of a combination of legal regulations and collective agreements. Statutory law determines which collective agreements should apply, while wages and working conditions are mostly determined by collective agreements. The system can be said to put down an order of regulation sources giving priority to collective agreement binding temp agencies. If a company is not bound by a collective agreement, it will be obliged to follow conditions set down in an agreement made generally applicable for the industry. If neither one does exist the agency will have to comply with the collective agreement binding the user undertaking, either directly or through an *erga omnes* decision. Finally statutory law has regulations on the right to fair wages. Some of the major temp agencies in Finland has however entered into company agreements with the trade union.

10.2 Wages and working conditions – the principle of equal treatment

None of the Nordic countries have had statutory regulations that put an obligation on temp agencies to treat their employees equally to those in the hiring company when it comes to wage and working conditions. Such a principle can however be found in the Polish labour law covering those employees that are protected by the labour code.²⁵ According to this regulation the agency worker may not be treated less favourably as regards working conditions and other employment conditions than workers of the hiring company.

Similar principles are also laid down in collective agreements in Sweden and Denmark, and lately in Norway. In Sweden the collective agreement for blue collar workers states that temp workers are entitled

²⁵ Act of 9 July 2003 on the Employment of Temporary Workers article 15.

to the same pay and working conditions as those in the user undertaking. However, this principle cannot be found in the agreements for white collar workers. Equal treatment is also part of the Danish model. Firstly, a principle of equal treatment can be found in the collective agreement for the temporary work agencies between Danish Chamber of Commerce and 3F. Secondly, agreements for blue collar workers, like the manufacturing industry, construction and electrical work also have such a principle, either directly or implicit. However, as in Sweden equal treatment for white collar workers is not widespread.

Unlike the other states a principle of equal treatment has been absent in Icelandic and Norwegian regulations on temp agency work. *Erga omnes* measures in Iceland gives the employees certain minimum rights, but this cannot be considered as equal treatment. Until recently there have been no regulations on equal treatment in Norway. In sectors where collective agreements are made generally applicable, temporary agency workers hired out to these industries are covered by the minimum wage made generally applicable. However, this only covers a few industries like construction, agricultural work, shipbuilding industry and cleaning. In Norway the now abolished "Agreement in principle for job-recruitment agencies" between LO and NHO from 2010 said that the fixing of wages shall be based on the National Collective Agreement that applies to the industry concerned, but the agreement has so far been binding for a handful number of agencies only. However, the same principle is now stated in industry agreements in most industries; In the collective bargaining round in 2012 the social partners agreed that agency workers should be given the same conditions as those laid down in the collective agreement of the hiring company. The implementation of the EU directive, and thereby a principle of equal treatment into Norwegian law will still bring increased protection to the temp agency workers within Norway where the hiring company is not covered by a collective agreement.

10.3 Restrictions

As mentioned above, only restrictions that are justifiable can be upheld in accordance with the EU directive. However, some restrictions are explicitly allowed. That is the principle of equal treatment as mentioned above, but also national requirements with regard to registration, licensing, certification and so on is accepted. In Norway discussions have mainly been related to whether the link between the regulation on fixed

time contracts and temporary agency work could be upheld or should be considered to be an illegal restriction on the freedom to provide services. This kind of restriction cannot be found in the other Nordic countries, but Poland has similar regulations. Employer organisations in Norway have argued that the regulations are in breach of the directive, and trade unions fear that implementing the Directive will mean that this restriction has to be removed. The position of the Ministry of Labour has so far been that the restriction can be justified, and no amendments will be made when implementing the directive. The regulation includes an exemption from the main rule; Employers of hiring companies can enter into an agreement with shop stewards to use temporary agency workers even though the need is not considered temporary in accordance with the regulation mentioned above. Such agreements are common both within the construction sector and parts of the metalworking industry. In these cases restrictions on temporary agency work in Norway is limited.

The Polish regulations limiting the situations where temporary agency work can be used have many similarities to the Norwegian ones. Temporary work agencies are allowed to cover seasonal, periodic, ad hoc tasks, tasks which timely performance by the workers of the user company would not be possible, or to cover up for an absent person.²⁶ Additionally, Polish law limits the length of assignments to user companies; an employee cannot be hired out for more than 18 months (12 months up to 2010) to a user company within a period of three years.²⁷

Regulations as concerns registration of agencies can be found both in Iceland and in Norway. To provide services as a temporary work agency Norwegian law requires that the company is registered by the Labour Inspectorate. User companies are only allowed to hire personnel from companies listed in the register. The Labour Inspectorate enforces the regulation. One of the requirements for registering is that the agency needs to have a permanent representative in Norway. Iceland had a requirement in their regulation on temporary work agencies that required foreign agencies to register eight days prior to their arrival in Iceland. This was regarded by the ESA to be in breach of the EEA agreement, and the law was therefore amended in autumn 2011. Now, the regulation only requires notifying the Labour Inspection on the first day of the as-

²⁶ See Article 2.

²⁷ Unless this is to cover up for an absent employee, then the assignment should not exceed 36 months, see Article 20.

signment. The notification should include documentation proving that the agency operates legally in the home country, i.e. information on VAT registration. Registered agencies are to be listed in a registry that is made publicly available.²⁸

Denmark has hardly any statutory restrictions. Some restrictions can be found in collective agreements. Those are mostly related to a duty for the user company to negotiate before it enters into a contract with an agency.²⁹ In Sweden the trade unions have a possibility to veto a decision on outsourcing work to a temporary work agency. The reason for this is to prevent that the employer does not evade the collective agreement by outsourcing work to a subcontractor. The duty to negotiate occurs when the employer plans to set out work that is covered by the collective agreement. If it is not, there is no duty to negotiate. If negotiations have taken place, and the trade union finds the subcontracting to be in breach of the collective agreement or statutory law, the trade union may veto the decision to subcontract. The employer will then be precluded from entering into an agreement with the agency. However, if the veto is wrongly put down, the trade unions will be liable for damages. So far, this restriction has been considered to be justifiable (SOU 2011: 5).

There also exist restrictions in Swedish collective agreements. E.g. provisions in agreements binding user companies that set limits for the share of temp agency workers (e.g. 20%) that can be hired into a company (Arrowsmith 2009).

10.4 The implementation of the EU Directive

While the EU Directive on temporary agency work was seen as a victory for European trade unions, the regulation was met with scepticism in Norway.³⁰ Through 2011 and the beginning of 2012 a major campaign against the directive was undertaken, led by the organization *No to the EU* and trade unions. The fear among the trade unions was that the restriction, that says that temporary agency work can only be used where there is a temporary need, would be regarded as an unjustifiable restriction according to the Directive. However, the Government finally

²⁸ Act 139/2005 article 2.

²⁹ Industriens överenskomst

³⁰ See <http://www.etuc.org/a/5471> for reactions from ETUC.

decided to send a proposal for new regulation to the Parliament in March 2012.³¹ As a part of the implementation, the Government proposed a package of measures that shall combat social dumping within the sector. This includes joint and liable responsibility for the user company as regards wages, duty to give information on the conditions to the user company and a right for shop stewards of the user company to require information on wages and working conditions for agency workers hired into their company.

In Denmark social partners within the manufacturing industry have entered into an agreement concerning implementation of the directive agreeing that agency workers should receive equal conditions as employees of the hiring company. This is in accordance with regulations that are already to be found in the collective agreement.³² By June 2013, all the Nordic countries have finally implemented the directive.

10.5 Summary

Table 3.2.1 Overview of regulations on temporary agency work in the Nordic countries and Poland prior to the implementation of the EU directive on temporary agency work

	Main source of regulations	Equal treatment	Limitations on assignments	Registration/licencing
Denmark	Collective agreements	For blue collar workers	No	No
Finland	Mixed model	If no collective agreement exists	No	No, but an obligation on the user undertaking to require information from the agency
Iceland	Mixed model	No	No	Yes
Norway	Legislation Mixed model /	No	Yes, reasons for hiring	Yes
Sweden	Collective agreements	For blue collar workers	Some in collective agreements.	No
Poland	Legislation	Yes, if protected by the Labour Code	Yes, reasons for hiring and duration	Yes

³¹ Prop. 74 L (2011–2012) om endringer i arbejdsmiljøloven og tjenestemannsloven (likebehandling ved utleie av arbeidstakere og tiltak i den forbindelse).

³² <http://www.coindustri.dk/Lists/Nyheder/DispForm.aspx?ID=274&ContentTypeId=0x0100DEBA9AF9F486EC4A996762EC196684FF00C0C3C3DD7D84B6429889C30D3094EA23>

As shown in table 3.2.1, regulation models for temp agency work in Denmark, Norway, Iceland, Poland and Sweden show some of the diverse approaches that can be found, even in countries with many similarities as to how the labour market is regulated. However, the situation for workers posted from one country to another is also regulated by the EU Posting of Workers Directive (PWD, 96/71/EC). According to this directive a host country can only place limited obligation on which wages and working conditions that should apply to workers posted from another EEA country. The rights of the employees could therefore depend on whether he or she is employed by a company situated in the country where the work is performed or not.

As Polish law has a principle of equal treatment for agency workers, a Polish worker posted to another country should be granted the same wage and working conditions as he or she was employed directly by the hiring firm. However, this does not apply to temporary agency workers hired on civil law contract i.e. half of temporary agency workers in Poland (Unterschütz 2009).³³ Employees of Polish companies will however not be protected by collective agreements established in the host country, unless the Polish agency signs such an agreement. If a Polish worker on a civil contract is posted to Sweden, wages and working conditions will depend on whether the agency signs a collective agreement with the Swedish trade unions that covers this worker.³⁴ The situation is very much the same in Denmark, however if posted to Denmark the worker could also be covered by the agreement of the hiring company and thereby be entitled to the same wages and working conditions as is applied in the hiring company. Both Iceland and Norway have made collective agreements generally applicable. In Iceland this covers all industries, meaning that an employer posting a worker to Iceland has to take this into account. In Norway only a few industries are covered by extended agreements and posting a worker to outside the scope of these agreements can be done without having to take any minimum wage into account.

If a Polish worker himself travels to one of these countries to take up work at a temp agency established in one of these countries, the situation will be somehow different. If he takes up work in a Swedish agency bound by a collective agreement, these conditions will apply. The same will count for Denmark; however the agreement for the hiring company

³³ This can be a contract to perform a specific task or work, see Eiro (PL0210109F): *Forms of employment contract reviewed*, <http://www.eurofound.europa.eu/eiro/2002/10/feature/pl0210109f.htm>

³⁴ This could be the case even though the worker is not considered to be an employee under Polish law.

must also be taken into account. In Iceland and Norway the situation would not differ that much from what is the case for posted workers. Only a few Norwegian temp agencies are covered by collective agreements, and outside the scope of general applicable collective agreements, there exist no minimum wage, and still no principle of equal treatment. Furthermore, the Norwegian regulation limiting which situation temporary work agencies can be used seems to have limited impact, especially in industries like construction and manufacturing.

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11. Mapping the market for employment agencies in Poland

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The free movement of workers within the “European Common Market” is one of the four basic economic freedoms of the European Union. However, actual mobility level within European countries tends to be relatively low within native populations (EU 2010). One of the reasons behind it could be that the process of matching on the labor market that takes place across the national borders is much more complicated and costly when compared with the one of natives (Martin 2005). The language and cultural barriers and, above all, absence of internationally recognized job descriptions and worker credentials make it difficult for employers to recruit foreign labor, as they need to evaluate the skills and abilities of potential new employees. The recent OECD report confirms that the automatic recognition applies only to seven out of more than 800 professions (OECD 2012). To some extent the migration networks play an important role in the process of matching as friends or relatives abroad can recommend to their employers those who are willing to migrate. Moreover, members of migration network channel the information and provide members of sending communities (which also are the members of the same network) with information about the employment opportunities and on the situation on the labour markets in receiving countries. They also may convince those who are reluctant to move by offering them help in adaptation (i.e. offering accommodation for the period of searching for job abroad).

However on the labour markets where migration networks are scarce, and where employers’ contacts with Polish workforce are a new phenomenon, the cost of job matching between them is relatively high. Hence, the demand for services of intermediaries such as employment agencies could emerge. They (intermediaries) in turn, by channeling

information between sending and receiving countries, by motivating people to migrate (by providing job counseling), could help to mold migration process (Findlay, Li 1998). The importance of recruitment agencies in shaping the regional patterns of migration by the existence of patterns of contacts established by recruitment agents was already identified by Prothero (1990). The aim of this project was to comprehend the role that employment agencies play, both in the migration process and the matching process of Polish workers with foreign employers, from the perspective of sending country, with long migration traditions and well established migrant networks. The analysis is based on the twenty in-depth interviews conducted for this project with the representative of employment agencies³⁵, preceded by the description of some basic facts about the development of Polish employment agency market within few last years based on the registry data on licensed employment agencies which is gathered by the Polish Ministry of Labour and Social Policy.

11.1 The regulation on the market of employment agencies in Poland

Based on the Polish legislation, employment agencies are allowed to operate on the Polish labour market next to the public employment agencies. All activities provided by these institutions (provision of recruitment services, career and personal counseling and temporary employment) are regulated and it is required to register each employment agency to receive the certification from the local authority.

Although the market of employment agencies in Poland has a relatively long history,³⁶ in 2002 some new rules were introduced that significantly affected the operation of employment agency market. To be more precise, with the Act on the *Employment and Counteracting Unem-*

³⁵ In the group of 20 agencies we contacted, 9 were recruitment agencies, and another 6 were recruiting workers for the temporary work agencies abroad, 4 were temporary work agencies, and remaining 1 was were of both kinds – temporary and recruitment agencies. Among those 20 were 2 seafarers agencies who were to give a glimpse on a market that has been globalised already as Polish seafarers were working for foreign employers long before Poland entered the EU. 9 of them do have strong focus on recruiting the manpower to clients from Nordic countries, mostly coming from Norway, Sweden and Finland. The interviews were conducted according to semi-structured interview scenario.

³⁶ Private employment agencies could start to operate in Poland in 1990. Before, it was only public employment services.

ployment Act and Act on Education System (Dziennik Ustaw from year 2003 No. 6, item 65) the concept of employment agencies understood as the agencies which either act as a providers of recruitment services, career and personal counselors or temporary employers was introduced in Polish law. With this act³⁷ the previously unknown institutions – Temporary Employment Agencies – has been incorporated into Polish law. These entities were allowed to provide service of outsourcing the workers for assignments in other companies (MPiPS 2004).

The entry to the registry³⁸ was simplified in 2009 and now the certification for operating is given for unlimited period of time.³⁹ This, however, required another change in law which in turn was introduced as a mechanism to strengthen the protection and safety of the agency customers, as since 1 February 2009 the employment agencies are also obliged to sign a contract both with the person who is sent to work abroad and with the company that sent person will work for (PIP 2009).

11.2 Polish employment agencies in numbers

The registration system in Poland began operating in 2003 under the ministry of labour, which also supervises employment agencies. All certified employment agencies are required to submit detailed report of placement activity to the local authorities which are later gathered and published by the Ministry of Labour and Social Policy on annual basis.

Those reports include the information about the number of people who have been matched with the foreign employers through employment agencies and the number of people who were temporarily employed by the employment agencies and were sent to work abroad. This data is broken down by occupation, duration of the contract {to 3 months, 3–12 months, more than 12 months}, sex and a country of destination. However, this data does not allow for the recognition of migrants' region of origin for several reasons. Firstly, in case of agencies' regional branches, the data about their services is jointly collected and shown in the report of the “mother” employment agency, regardless of

³⁷ It has entered into a force on 6 February 2003.

³⁸ Since 2005 the information about certificated employment agencies are available through webpage www.kraz.praca.gov.pl

³⁹ Until then it was a two stage process. During the first year of services' provision the agency received preliminary certification, which after one year of activity was changed at the request of the agency for a one year or indefinite period of time.

the localization of the branch (voivodship of service provision). Secondly, it is common that the agencies use facilities such as internet in recruitment process, which enables them to access not only local workers (region of service provision could differ from the region of origin of service takers).

The data is also biased by the fact that some employment agencies neglect the requirement of sending the report to the local authorities. The inspections of National Labour Inspectorate (NLI various years) have shown that this is problem of every fifth controlled employment agency (see table 3.3.3). Another weakness of this data is the lack of information about the number of the employment agencies operating on the black market. The National Labour Inspectorate applies the screening procedures of the webpages in order to sample all employment agencies which activities will be controlled. Based on these inspections it has been proven that there could be up to seven per cent of employment agencies that operates illegally (compare table 3.3.3), there are still intermediaries that provide services (one-person firms) whose activity is out of this picture. In 2010, the inspection of the compliance by Employment Agencies to the Act on Promotion of Employment and Labor Market Institutions identified only one case of a foreign entrepreneur that provided his services on the Polish territory without previously given the required notice to the Marshal (PIP 2011).

11.3 Types of employment agencies

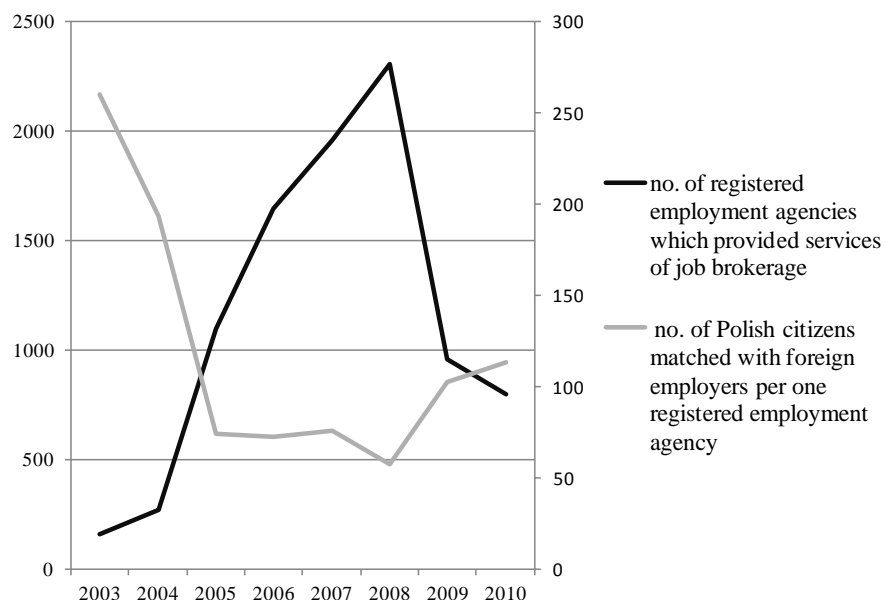
All activities of employment agencies in Poland, as was mentioned before, are regulated, moreover, the certification entitles each entity to provide one, few or all of services envisioned by law: provision of recruitment services, career and personal counseling and temporary employment. The information about the kind of activity the employment agency was involved in during the previous year (whether it is recruiting workers to go abroad or not), is only revealed to the authorities in the annual report delivered to the Ministry at the end of each year of its activity. At the end of 2010 there were 2,998 officially registered employment agencies in Poland out of which only 799 (26%) were providing services of matching Polish workers with foreign employers. Taking into account only the employment agencies that reported provision of cross-border services in 2010 the majority of them (66.8%) were involved in provision of recruitment services to the foreign companies, another 21.6% offered the service of temporary employment and 11.6%

had both of these services in their offer. The possible factor that may determine the kind of services provided by the employment agencies is their size. In comparison to job brokerage the provision of staffing service is much more precarious as the agency needs to take the responsibility of the employer and is obliged to pay all social benefits and do taxation. In case of encountering any unpredictable problems such as i.e. not receiving payment from the principal, the agency bears the risk of losing the financial liquidity which is even much more probable when the entity is small. It is worth to underline that by the law the agencies can lose their certification when falling behind with any payments to the employees.

11.4 Size of the market

The market of job brokerage services has been developing dynamically in the recent seven years. The number of employment agencies which provide cross-border services quadrupled. However, when the recent crisis hit most of European countries, the number of actively operating labour agencies in Poland was been reduced. The economic downturn resulted in a significant drop in the general demand for workers and hence the decrease in demand for services provided by the intermediaries, such as help in the job matching process.

Figure 3.3.1 No. of registered employment agencies in Poland that provided services of job brokerage with foreign employers (left-hand axis) and no. of Polish citizens who has been matched per one registered employment agency (right-hand axis) in the period of 2003–2010



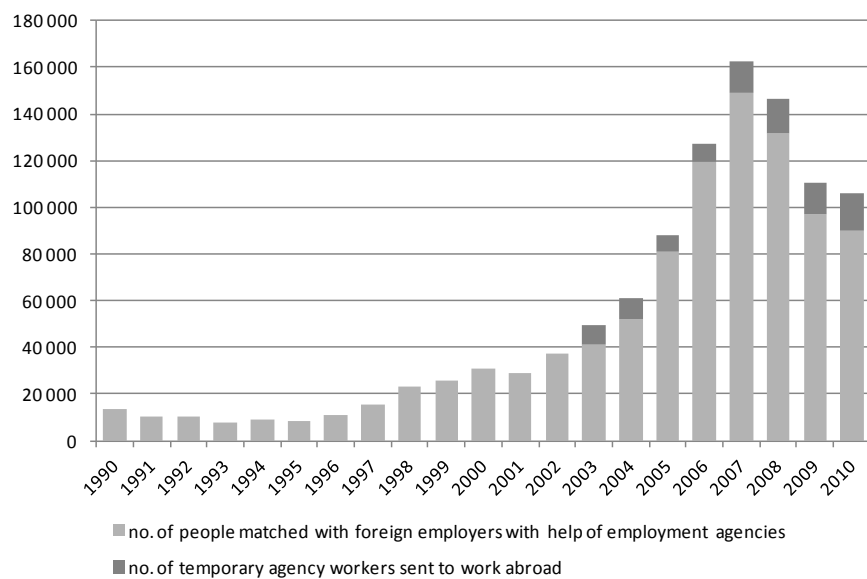
Source: Own elaboration based on employment agency reports published by the Polish Ministry of Labour and Social Policy.

Until 2008, the observed increase in the number of employment agencies that were providing services of job brokerage was not proportional to the number of potential agency customers. Therefore the number of people who were sent abroad through the employment agencies was decreasing and in 2008 fell to the level of approximately 60 person per one unit. Partly, the potential outflow was stopped by the dynamic growth of Polish economy, what was reflected in the increase in the number of workplaces on the Polish labour market. Knowing that in the recent two years the number of employment agencies were on the decrease due to the economic crisis, the level of the units operating on the market is still much higher than before EU accession.

11.5 Scale and dynamic of outflow and main countries of destination

In the period 1993–2007 the number of Polish citizens who found employment abroad with the help of employment agencies was increasing, however this trend was stopped when the financial crisis has started.

Figure 3.3.2 Number of people who found job abroad either as temporary agency workers or matched with foreign employers in years 1990–2010*



*the data on 2003 is biased as some agencies that were operating before 6.02.2003 were not obliged to apply for certificates until 1 January 2004.

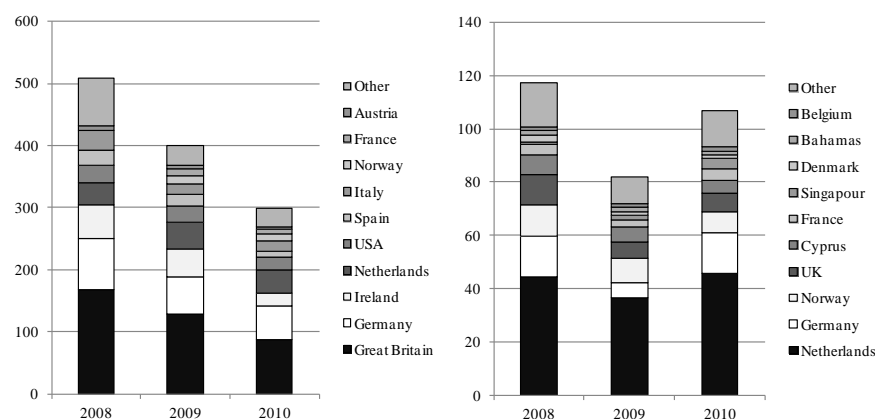
Source: own elaboration based on employment agency reports published by the Polish Ministry of Labour and Social Policy.

If one compares the number of people who migrated with help of employment agencies with the estimates of the Polish Central Statistical Office on the size of temporary outflow of Poles⁴⁰ one has to admit that the role of employment agencies as facilitators of migration of Poles is rather small. However, when putting together data on the major destinations of labour migrants, it is clearly visible that if not for employment

⁴⁰ CSO estimated that in 2004 there were a 1 mln of Poles staying temporarily abroad, 1.45 mln in 2005, 1.95 (2006), 2.27 (2007), 2.2 (2008), 1.87 (2009) and 1.99 mln in 2010.

agencies active role, the outflow to i.e. Netherlands or Iceland would not be that dynamic.

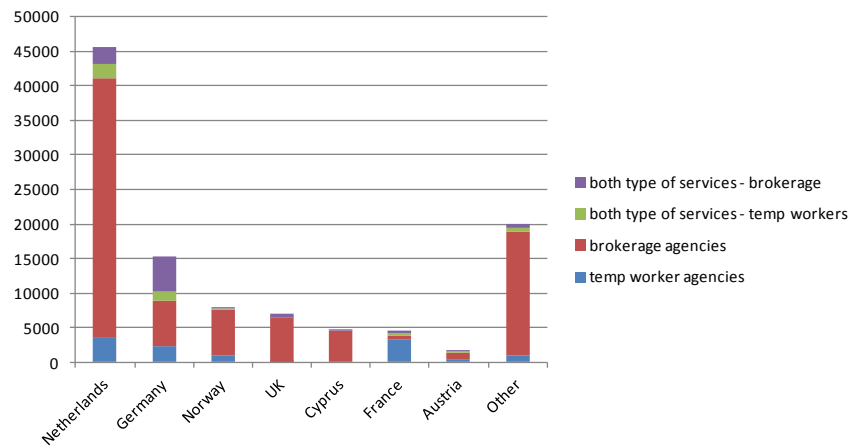
Figure 3.3.3 Polish migrant workers staying abroad for longer than two months (LFS 2nd quarter)(left-hand chart) and Polish citizens sent to work abroad by temp agencies by country of destination (right-hand chart) (in ths.) (2008–2010)



Source: own elaboration based on LFS data and employment agency reports published by the Polish Ministry of Labour and Social Policy.

In 2010, similarly to previous years, the majority of employers who used Polish employment agencies services to recruit new workers were located in Netherlands (they have gained 39.7 ths. new employees), Germany (11.6 ths.) and Great Britain (7 ths.). In turn (as shown in figure below), Polish employment agencies that provided services of temp workers sent their workers to Netherlands (3.6 ths.), France (3.2 ths.) and Germany (2.3 ths.).

Figure 3.3.4 Number of people who found job abroad either as temporary agency workers or matched with foreign employers in years by the type of employment agency and country of destination (2010)



Source: own elaboration based on employment agency reports published by the Polish Ministry of Labour and Social Policy.

Among the Scandinavian countries, Poles were finding work through employment agencies mainly in Norway – in the recent five years more than 10 thousand every year (except for the last year). In comparison, in the second receiving Scandinavian country – Denmark – in the peak year (2007) only about 4 thousand Poles have found employment through employment agencies. Taking into consideration the size of the Swedish labour market, the labour migration with the help of the recruitment agencies is rather of minor significance. In Iceland, employment agencies participated in matching the process of Polish workers with Icelandic employers after the opening of its labour market to Polish workers in 2006. In the year 2007 Polish employment agencies matched more workers in both Iceland and Finland than in Sweden, although both these labour markets are smaller. Significant drop in the number of matchings of Polish workers and Icelandic employers in the recent two years was the effect of financial crisis. The worsening economic situation in Iceland had major impact on the reduction of work places in the construction sector, which was the main sector of employment of migrant workers.

Table 3.3.1 Scandinavia as a destination region for people who found job abroad through employment agencies (2003–2010)

Year/Country	2003	2004	2005	2006	2007	2008	2009	2010
Norway	9,470	1,2326	8,715	12,456	12,969	13,622	11,016	6,887
Denmark	1,853	1,330	1,144	2,699	4,004	2,929	1,758	1,162
Sweden	484	107	71	319	759	764	160	607
Iceland	52	42	617	1,192	954	358	20	5
Finland	117	0	31	252	1,292	799	250	113

Source: Own elaboration based on employment agency reports published by the Polish Ministry of Labour and Social Policy.

There is a significant difference between the distribution of main countries where Poles found employment through the employment agencies and the group of main countries where they were sent to work as temporary agency workers. This difference is not only related to the labor market size of receiving countries, but also conditioned by the employment agency penetration rate of the labor market, which is much higher in the UK – 3.6% or Netherlands – 2.9% and lower in Norway 0.8% and Denmark 0.6% (Ciett 2011). Hence, in 2010 the employment agencies have sent more than 5 thousand temporary workers to work in the Netherlands and only 150 to Norway or Denmark. On the other hand in some countries such as UK the overall employment agency penetration is high, nevertheless the employers' interest in using the services of Polish employment agencies is rather small. This could be explained by the better knowledge of the British labour market within the group of Poles that want to migrate to UK. Those potential migrants are in better position in comparison to those who plan to go to any Scandinavian country as they have better command of receiving country language (more people in Poland learn at school English than French, German or Norwegian), secondly there are also longer migration traditions to UK than i.e. to Norway or Netherlands. That means there is some common knowledge spread out through migrant networks between them and the members of sending societies about the employment possibilities in the receiving countries. Last but not least, the migrants' networks work not only as information channels but also members of this networks help newcomers to find work and accommodation. Also, as many thousands of Polish nationals already reside in UK, British employment agencies already have some reservoir of potential migrant workers in the country, so they do not have to search for them in Poland. All together these factors enable workers to search for employment in the receiving country without the help of formal intermediaries from Poland.

Table 3.3.2 Scandinavia as a destination region for temporary agency workers (2005–2010)

Year/Country	2005	2006	2007	2008	2009	2010
Norway	265	697	1,685	1,428	749	154
Denmark	16	82	67	118	234	157
Sweden	0	82	149	326	127	158
Iceland	0	0	0	0	0	0
Finland	13	153	221	14	4	0

Source: own elaboration based on employment agency reports published by the Polish Ministry of Labour and Social Policy.

Another aspect that determines the use of national temp employment agency services rather than foreign ones is the national labour law. A good example of this could be the absence of temporary Polish agency workers on the Icelandic labor market though there was a high interest in labour brokerage between both countries. This probably came out as a result of the application of a legal anti-social dumping protections. Icelandic labour law, including the Act on Temporary work agencies, provide workers employed by TWA's established or operating in Iceland, with an entitlement to receive minimum working conditions, which are applicable by collective agreement and Icelandic labour law irrespectively of nationality (ICL 2006). Since the temporary employment agencies are not able to pay wages according to the sending country regulations, the temp workers services are less profitable for them. (Karlsson 2006).

11.6 Gender of workers

In general, during recent years, employment agencies had more male than female customers. Male domination is explained mainly by the demand for foreign labour force which in some receiving countries is gender specific and, hence is reflected in the gender structure of the labour migration streams. Moreover, from country to country, differences in gender balance in agency work are determined by the particular socio-economic fabric and economic history of each country, as well as by the sectors allowed to use agency work (CIETT 2011).

On average women constituted only up to 5% of the total stream of labor migration to Norway, Iceland and Finland which is caused by high demand in the male dominated sectors such as construction or maritime. On the other hand, in the recent years as a consequence of demand in sectors such as: medical and in-home care sector, and services (especially cleaning industry, hotels and restaurants have observed feminine dominated streams of migration to countries like Spain or Italy, where

women constituted more than a half of group of migrants). It is said that more service-oriented markets tend to employ more women, which seem to converge with these findings (CIETT 2011).

11.7 Timing of assignments

Short term contracts are rather usual when the companies outsource workers in order to remain competitive on the market. Hiring workers with help of employment agencies enables them to adjust their need for staff during the output fluctuations. The use of agency workers supports companies to deal with unexpected increase in demand or to face seasonal fluctuations. The other frequent reason to use the agency workers is to cover for short-term staff leave as during maternity or paternity/sick/holiday leave. Generally the use of employment agencies covers specific flexible requirements that cannot be covered by permanent contracts (CIETT 2011). Having this knowledge, there is no wonder why in the last 8 years the majority of people who signed a contract with foreign employers with a help of Polish employment agency, have been employed only for a short period of time – more than 90% up to one year – out of which more than a half for only up to 3 months.

11.8 Legality of activity

Despite that employment agencies that are caught on breaking the law are fined with being deleted from the official registration and with prohibition for three years from getting new certification for such services, the controls conducted in the recent years showed that the proportion of employment agencies which violate the law are quite stable (compare table below) (PIP 2011).

Table 3.3.3 Proportion of inspected employment agencies which committed law-breaking provision of services with the Act on Promotion of Employment and Labor Market Institutions

Violation of the law	2007 r.	2008 r.	2009 r.	2010
No. of inspected agencies	240	454	388	427
No. of inspected agencies which provide cross-border services	n.a.	168	146	124
Haven't reported to the local authorities	23%	15%	16%	17%
Operating without the required certification	7%	4%	5%	4%
Incorrect content of the contract with people who were sent to work abroad	n.a.	16%	18%	21%
Incorrect content of contract with foreign employer to whom agency sent people to work	n.a.	14%	17%	24%
Lack of contract with foreign employers to whom agency plans to sent workers		9%	11%	3%

Source: Reports of National Labour Inspectorate various years

In 2010 the major problem with incorrect functioning of employment agencies, revealed by the inspectors was related to the content of contracts between the employment agency and both sides of agency service takers – employers searching for workers and people searching for employment. This was mainly explained by the lack of knowledge of law in force, that has changed recently in Poland. Also, differences in labour law between country of origin and destination and the problems (even by the lawyers) with interpretation of the binding rules as the person working for employment agency explains (Agency no. 20) contribute to this situation. It also happens that agencies fail in delivering annual reports to the local authorities. One of the reason for this situation could be an attempt to hide agencies' activity on the black market. If there is no or just partial information about employment agency activity it is more difficult to judge whether the unit under control has violated the law or not. It is worth mentioning that by Polish law employment agencies are not allowed to charge their customers, who are searching for employment, for the fact of helping them in this process. When people are sent to work abroad by a employment agency, they could only be charged for the actual cost related to sending them, only if it was previously specified in the contract between them and the agency. These could include: cost of transportation, cost of working visas, travel insurance, cost of medical examination, translation of necessary documents, training in accordance to the requirement of foreign employer. However if other costs have been incurred during the matching process of worker and employer, then it can only be claimed from the employer.

11.9 The modus operandi of employment agencies in Poland

As mentioned before, market of employment agencies has experienced considerable growth in Poland during recent years. It is interesting however, to get to know the reasons behind setting up a business of this kind and some of the testimonies gave an interesting insight as to why and how particular agencies were established, what influenced the mode of operating, and at least – why and how the choice of country was made. During the fieldwork, among other respondents, we managed to reach persons who were either heads of the agencies themselves, or were in close contacts with such, so they knew the beginnings from their relations. These were mostly small and medium size agencies.

In a few cases the business starts simply because the idea was conceived between people, from whom one was Polish and second party was from another country. This was often linked to those persons working together and recognizing the significant rise of demand for foreign workers, especially in the climate of an enlarging European Union. The importance of these links with the country of destination is hard to overestimate, as it gives good ground for starting a business of this kind – with a good knowledge of a Polish market and specialists that are available here and with contacts to potential clients, which the agency then matches with the workers.

Agency no. 2: “at first my boss has worked in Dutch office [of the employment agency – eds.] for a few years, for the big boss, she was a coordinator then (...) and while being there she has decided to come back to Poland, it was in 2006.”

About the respondent from this agency said that it was strongly related to the professional experience of her boss, who upon return started running Polish branch of Dutch agency and recruit temporary workers specifically for the Dutch agency, who then work in hotels in Netherlands.

Another example comes from Agency no. 8, where a person who started setting up the business had spent a few years abroad. After observing her own difficulties of obtaining a job as a Polish national, she then decided that there is a scope for potentially successful business of matching workers with employers. Especially as the country was in need for foreign workers, however not many have the opportunity to work there due to lack of contacts with the employer:

Agency no. 8: “as I was a good employee their trust in me grew, (...) so later I recruited few more people for them. (...) then in my little surrounding I started noticing that they really need workers, however they are still reluctant, but there is for sure a space for Poles in their labour market. (...) we met the boss of the agency there, now he is our close friend. And I told him that I always wanted to start this kind of business in Poland, he thought about it, and as they operate in typically manufacturing industry, in metallurgy, and so on, and that they do not have that many employees to satisfy the needs of his clients, so the idea came into reality, that there will be a Polish branch of his agency.”

Another interesting insight about the agency that recruit manpower specifically for Scandinavian clients was a Polish national who grew up in Sweden. Due to this, he understands the specificity of the market, speaks the language and, thanks to his previous experience of work for another agency, is able to run his own project – setting up an agency in Poland to recruit Polish workers for his Swedish business partners:

Agency no. 13: “it is very much related to my person because since my childhood I lived there and in 2006 I came to Poland to recruit workers. (...) So I came here to do recruitment and training of workers before their departure and initially it was related only to the building industry. (...) We work on the basis of cooperation with other agencies there. (...) At the moment we have an exclusive cooperation with one of the biggest agencies in Sweden.”

These are only few examples of personal relationship to either a person or a country where the agency operates. From our respondents we heard few more such examples, which in our opinion is an important factor in understanding their beginnings and see how the idea of setting up a business like this came into existence. It is also helpful in understanding how it influenced the profile of agency, the country to which they send workers and what chances or constraints it gives in their daily work. What is also important, as some respondents mentioned, those direct links with clients or time period spent in the particular country helped them to understand the business culture there. Also in recruiting new client firms this enabled them to be more effective in professional relations, as the word of mouth marketing built up on trust and personal relationships was more effective than search of clients as an unknown business partner.

11.10 Temporary work or recruitment agency?

The statistics confirm that the majority of employment agencies are involved only in the provision of job brokerage and that temporary work is still not a well developed service in Poland. Therefore in this part of the report we want to shed light on what perspective do the agencies have regarding the way they work, and what assets it gives them in their opinion, as well as what risks may have come out as a result. From the research we recognized few important factors that determine whether agencies prefer to recruit workers for the clients or to provide them with temporary workers. This decision often also depends on the preferences of the client – whether the client can afford to employ worker directly, for permanent position, or is in need for temporary staff to accomplish a particular project.

Our interviews reveal that jobs requiring high qualifications (such as many positions within medicine, engineering, and IT) are usually based upon permanent or long term contracts, since finding the right match requires greater efforts (often linked with providing language training required for performing the job) than recruiting low skilled workers. Also, for the company which employs such workers, it is more beneficial to have this person on permanent basis, since the work often requires in-depth knowledge about particular company.

As for the agencies which recruit qualified workforce for the industry and construction sectors and low skilled labour (especially for agriculture) it seems to be more common to cooperate with other temp agencies in the country of destination, who then employ recruited workers. One reason for this situation is that the responsibility of Polish agency is recruitment only the agency in country of destination is responsible for contacting clients and for temporary workers who they send to user companies. In the case presented below, the respondent explains why they prefer to work with one agency abroad who deals with their clients directly, over few little companies with whom his agency would have to cooperate:

Agency no. 10: “we are recruitment agency that cooperates with temporary work agency there (...). It is one of my experience, that cooperating with too many small companies might be really troublesome, secondly it is also risky, because you never know whether they are financially solvent, if they have money at all.”

The risk, but in this case regarding to functioning as temporary work agency, was mentioned by another respondent from the recruitment agency:

Agency no. 3: "we are small agency and this is not very safe for small agencies. But if we develop further for sure we will expand also into the temporary work sector. (...) It is dangerous to hire temp workers for us, because if the client user will not pay us, we still have to pay the workers, so if the company is big, that hire few hundreds of persons, they have big capital, in our case, we have few employees in our office, and capital stock is rather small."

Having those two quotes, one can see that for recruitment agencies in Poland to cooperate with temporary agencies from abroad is of great help – they do not have to be bothered with contacting the client firms, hence it eliminates the risk of them being cheated. Similar concerns appear in the second quote – for medium size and small agencies it might be risky to operate as temporary work agency and recruitment also minimize risk of losing solvency in case client firm goes bankrupt. Knowing that many recruitment agencies cooperate with another employment agency in a country of destination, they are not burdened by all the paper work and responsibility for the workers, at the same time the responsibility of finding new clients is on the side of agency in the country of destination.

Agency no. 13: "so we only recruit, we do not employ them, it is not temporary work, what I meant to say is they eventually end up as an agency workers, but the Swedish agency and it is quite a difference, because they sign Swedish contracts – those people who go there thanks to our agency."

On the other hand, quite different perspective is presented by the temporary work agencies, who stressed different aspects of recruitment, and importance of longstanding relation with employees:

Agency no. 11: "Because it is always better to cooperate with specialist from any field for a longer time, rather than just send him away and forget. Those men... for example mister Andrzej, who lives not that far away from here (...) he is a retired miner with an experience of working in a tunnels, but also a carpenter and has some certificates for welding."

As the respondent said – people with many skills in manual labour, with good experience are not that easy to find, therefore for his kind of services it is better to have this person in hand in case of incoming projects. Moreover, this situation give a glimpse on the temporary workers situation, as not everyone is interested in permanent emigration to the country of destination and short term contracts (lasting for few months per year) are convenient for them to top up their monthly incomes:

Agency no. 11: „so he came and said that he is newly pensioner, and he does not have a pressure to earn a lot, but his daughter is at the university so he just wants to spend abroad few months every year. So we got this idea that there are lot more persons like him in Silesia. And because there were reductions in mining industry we stand up and said, gentlemen, there is work to do for a few months in France, for this and this money, and we weren't short in candidates.”

Another respondent from temporary work agency also stressed this issue, but also mentioned the benefits that this kind of employment gives both to worker and to user company:

Agency no. 9: “recruitment is for sure an interesting business, however one must remember that it is only one time contact with someone and later the agency doesn't know what happens with this particular person. Because it only matches employer with an employee and then their role is over (...) if we would want to work like this then Polish workers would have to be employed directly by the companies from France and the fact is that companies don't want to hire, even the workers don't want it much, because then they would have to rely on themselves. Obviously, the surroundings there are different, foreign language, they would have to find accommodation on their own, pay taxes, and so on. So first they don't want, secondly companies don't want, that is why they use temporary workers.”

So the agency takes the responsibility off the shoulders of both – an employee and a user firm for all the paper work, taxation, wages, etc. at the same time taking care of the accommodation and social benefits of the worker. This is understood as one of the strongest incentive to use the service offered by temporary work agencies.

11.11 Contacting client firms

As mentioned in previous paragraphs, contacting the client firms very often depends on personal contacts and already established relations with partners abroad. Mostly respondents stressed the power of word of mouth marketing and recommendations as one of the most effective method of finding new clients. This was important for several reasons, mainly that personal recommendation implies reliability of potential agency but also as some other mentioned, the business culture is somehow based on personal relationships, which is important especially for middle size and smaller agencies, or those new on the market.

Agency no. 8: “when it comes to business it is much different from the way we do it in Poland (...). There everyone knows everyone, they cherish those acquaintances... how to put it, over a pint of beer (...) so these relations are sometimes very friendly. So if someone meets a representative of our partner

there, it is obvious he will use our services rather than super established big company, it is because we are known there, we are the trusted ones, and I am the co-worker of the boss in this country."

Of course not every agency can enjoy this kind of recommendations, also using only one method would not be effective in the very competitive reality of the market of work agencies. This means that apart from word of mouth marketing work agencies also use set of different ways to reach potential clients abroad. How challenging it could be, was experienced by the respondent from agency no. 3.

Agency no. 3: "I am personally responsible for contacting clients in Scandinavia, but this is already very saturated market by Polish workers and it is difficult to open up a business relation there. I was in Norway for some time so I have an idea of what the market looks like over there. And in some companies there are already people from Poland, or with Polish roots, so they can directly recruit someone from Poland."

As another person mentioned, her duty was to find business partners in Germany, and in doing so she had to put some serious effort in finding what is really needed on the German labour market:

Agency no. 14: "I started from reading different articles about what kind of specialists would be needed. But it was overtime work, which I considered as equipping myself with knowledge of what do they really need there, apart from few tens of thousands of engineers. Best effects resulted from searching on the job websites where the companies were looking for employees."

Hours spent on doing research and contacting potential clients paid off and eventually the agency managed to enter German labour market offering qualified Polish workers to their clients. Direct search is a very popular method of finding clients, however not always successful. As one of the respondents said, many times emails go to the spam box, or message is delivered to the secretary desk and no further. Another way is to take part in events, such as meeting the representative of national economic chambers or other gatherings:

Agency no. 7: "it is crucial to meet the clients directly, to have a conversation with them, to set up a meeting and offer our services. We make use of some events, situations that give us chance to reach higher number of clients. We actually do not use typical adverts in the media."

Nevertheless, after spelling out all possible methods respondents most of the time turned to recommendations:

Agency no. 11: "recommendations from previous clients works best when one want to sell his service. Nothing works better, especially among untrusting towards foreigners French (...) only when another French employer will tell them "take Poles, because they are great, very effective, work very well, then only. That is why I think if we would have invested some money in some marketing action, a direct coming out to potential clients, this money would be lost in large."

Some of the agencies can afford to employ local coordinators in particular countries, who do not only take care of the workers and in case of emergency are there to help out, but their role is also to contact new clients, gather information, take part in important events that may promote the work of the agency.

11.12 Recruitment of workers

Generally agencies use similar methods of reaching potential employees, regardless of the fact whether they are temporary work agencies or recruitment agencies. Obviously agencies store all the incoming CV's of successful and prospective candidates who could be contacted in the future recruitment projects. Therefore, most of the time they first look through their own base of potential employees or among those they have already hired or recruited. Then, if the base offers a good candidate the job advert does not need to be placed on the agency website. If otherwise, then such advert goes to the website of the agency and internet job portals and branch webpages (most popular are i.e. www.infopraca.pl, www.szybkopraca.pl). Simultaneously many agencies contact their previous workers or already have some contacts from them to persons who they recommend. This means, that networking among potential employees is as good strategy for recruiting the right employee as well as it is for finding potential client (vide: contacting with the client).

Agency no. 2: "A lot of workers which we have recruited have been recommended to us by other employees of ours. The fact that someone recommends a person is making it lot easier for us and also it works in favour of a candidate. We also know, that our employee would not recommend someone who is not reliable, who doesn't care about the work."

Also, it often happens that potential employees are coming to the agency having heard the positive information about their services from friends or acquaintances and ask if they would have found something for them. This kind positive opinion that is spreading around potential employees

is also very important, as in Polish reality agencies are often considered as untrustworthy:

Agency no. 9: "we also have these situations where they [potential employees] are very suspicious, read this fifteen pages status of ours, come with their wives who are their spokespersons and they have list of questions (...) this distrust comes from somewhere, but we really try to do our job in most solid, reliable way."

Having a good reputation among potential customers is also important especially when there are still situations of some middlemen asking for money for finding a job to someone, or even pretending to be a representative of particular agency.

Agency no. 7: "[Interviewer: were there any situations that someone pretended to be a representative of your agency?] There still are such situations, till today. And for sure there is a group of candidates, who have bad experience of cooperating with agencies, not to mention the situations where someone just cheated on them, took some money in advance and they simply did not get the job. There are also situations, where the agencies didn't play fair either."

Usually the recruitment process itself entails screening of the candidates according to their language skills, education, certificates, experience, references. Methods are as following – face to face interviews, often skype interviews, soft skills test, practical test where often potential employer participates in the worker's skills verification, verification of certificate of no criminal conviction. Of course this list is not exhausted and only mentions the most important issues. As some of the agencies report, they usually try to examine the client in such a way as the client would do it – not only does it increase the reliability of the agency for the client, but it also ensures that the employee is a reliable person and will not cause the agency any problems.

According to our respondents there are three most important criteria in recruitment process: language, experience and willingness to go abroad. Then, depending whether the recruitment is for highly skilled, specialist or low skilled position the requirements vary. As our respondents puts it:

Agency no. 3: "if a mechanic has to speak foreign language communicatively, then a civil engineer has to speak the language very well."

This basically means that fluency level should be generally higher when it comes to highly skilled persons. However, general impression is that most of the agencies mention difficulties in finding a person with a good

command of foreign language. Language is often the first barrier that stops many people from being recruited, and especially when it comes to English, still it is not common to find someone who meets the language requirements and especially when it comes to someone who speaks either German, French, or Norwegian. There are also quite significant country differences – some employers readily accept group of Poles where only one person speak the language communicatively (some respondents referred to Belgium in this respect), whereas others, like in Great Britain expect everyone to have at least good command of English. Employers from Sweden or Norway on the other hand often take some of the costs of language training of potential employees (among our respondents offered courses were of either French, German, English, Swedish, Dutch or Norwegian languages).

When it comes to experience the issue is equally complicated – agencies mostly check the CV's and the references from previous employers. This is a good method of screening potentially good candidates, but very often it excludes those who are unemployed (often for several years), or new graduates. Often also in many countries the criteria to work in particular profession are quite strict (such as an example of nurses in Sweden, who have to have minimum 2 years of experience and speak the language). Quite challenging seem to be recruitment projects of highly skilled persons, where a head hunting is necessary – it is so because many of those people are already in a labour market, usually satisfied with the earnings in Poland and not very willing to work abroad:

Agency no. 1: "Especially when it comes to IT specialists, they are not very active on the labour market, and the client has to actively reach them, and here agencies are useful. Because we start contacts directly with the candidates, calling them, organizing a meeting and so on."

It is difficult for the agencies to assess whether workers with previous experience abroad are valued over those without one. For sure it says lot about the psychological suitability to deal with emotional hardships of separation with family or friends (not always they go abroad alone, as, most of the times family may join those on a longer or permanent contracts).

Agency no. 7: "Work abroad means departure for couple of months or longer. That means separation from family, completely different environment, culture, approaches to workers. And we need to know whether the candidate is ready for that. Sometimes our opinion is negative about the candidates who, in our opinion are too...psychologically vulnerable and doesn't have what it takes, the personality (...) to us it is not most important criteria whether someone has already this experience, but as a matter of fact those candidates better sell themselves on the job interview, they have different approach, it helps."

It is also true that some agencies prefer to recruit among those without previous experience abroad, as was the case of an agency recruiting highly skilled persons:

Agency no. 1: "it often happens that a person, who already has worked abroad knows the wages standards there, and can say, that "no, I want to get more than that". Whereas a person who goes abroad for the first time may not have that knowledge. In general, though, employers prefer those with experience on the Polish labour market, but who haven't been working abroad yet."

So it is difficult to definitely say who got preferences – those with or without previous experience of working abroad. In some of the agencies the candidates with previous experience abroad are not implicitly favoured, but have some sort of privilege over those without one. Regardless of what Agency no. 1 has said, the indication is that a person most likely to get the job is the one who is most likely to handle problems and the stress of living abroad without his or her family.

As before mentioned, recruitment processes involve also those candidates that have previously worked abroad. Nevertheless, in case of the post accession wave of Polish migrants, there have been examples of persons working in professions below their skills and qualifications. Consequently, this might have had a serious impact on their career development. Example of this is also present in the stories of one of the respondents, who say that they face problems in recruiting qualified workforce, who had an episode of working elsewhere and want to return to previous profession:

Agency no. 12: "some of them came up with an idea of giving up work in Poland and emigrating to the Britain, without job offer there (...) now when we talk with candidates we see they worked in a factory, on a production line, because they didn't know the language, they couldn't work with another person which shattered their chances of working in their profession, which they didn't know back then (...) Later when they learned the language they started looking for job offers in hospitals but they were turned down, so what that you speak the language if you stopped working in your profession, for the last two years or so. So some of them had to come back to Poland and work here in a hospital to renew their qualifications and try again for work in Great Britain."

This situation seriously reduces the employability potential of the workers who did not make use of their skills during their first stay abroad, and who then have to spend more time and effort in finding satisfactory employment. This is also a problem for the agencies, which reached persons who on the one hand have – often valued – experience of working abroad,

but on the other hand – lost the continuity of employment in one’s profession, which is crucial for instance in medical jobs.

When the agency has finished screening of the candidates and preselection has been done, the prospective candidates are presented to the potential employer, who then makes the final decision.

11.13 Preparation and monitoring

Most of the time, as mentioned above, good command of a foreign language is a prerequisite for applying for most of the positions abroad. Some respondents mentioned that importance of this requirement has risen during the crisis and the employers are even more demanding when it comes to judge the suitability of particular person. That is why many agencies do have a special language training prior to departure (especially regarding countries such as France, Germany, Norway and Sweden). Often those courses are prepared specifically for the kind of job one is going to perform, with specific vocabulary and intensity of lessons, so they differ much from those offered in typical language schools. For this kind of training are invited those who have already positively gone through initial selection and have been approved by the employer. In general, employees do not pay for this course, or only partly. Language training is often given in very intensive few week courses or longer when it comes to professions such as nursing, where fluency of communicating is essential for good job performance. Usually at the end of such a course the participant has to pass the test that shows his/hers progress and the level of motivation to learn and to work in particular country – if the person fails the final test, his or hers placement may be suspended or even cancelled. As one respondent said, during these courses they also have a chance to get to know the candidates better:

Agency no. 13: “these exams are more for us, to know on what level they are so to match them in groups accordingly to it, those who speaks better with the weaker ones, so if someone scores badly it is more for our information. But if someone for three weeks of language course doesn’t show any effort we say thanks to this person. It is information to us that someone is not at all motivated and we understand if someone doesn’t have the language skills, but they have to show that at least they try.”

Employers hope that investment made in future employees will pay off when they will start working. As a matter of fact this is also a chance for the workers to improve their skills and employability factor, as knowledge especially of Norwegian or Swedish is not very common on

the Polish labour market and possibly can bring further benefits for the employee. On the other hand, not all candidates are very willing to take part in a language course because it delays the moment they can start working (hence earnings) for a couple of weeks to months, while they also have to suspend their other economic activities to take part in language classes (sometimes it means travelling or spending some time – few weeks to months – in a training centre, far from home).

When it comes to employment, many agencies operate on a success fee basis, meaning that only when a person is hired then the agency gets the profits for the service. Another reassurance of the solid service of the agency is the probation period for the employees – it seems to be a widespread practice to replace the worker with another candidate in case something has gone wrong or if a personal situation of an employee requires termination of the contract. However it is much easier to do so when the preparation to departure is not so time-consuming as it is in case of recruitments where language training is included.

If it is not a duty of employer, most of the time work agencies help candidates with issues regarding the journey (especially for the temp workers, however most of the times help comes as an advice on cheapest and reliable means of transport), or to find suitable accommodation. Also, agencies, both recruitment and temporary, are in touch with the workers during their assignment abroad, monitoring the situation or sometimes mediating when required.

Agency no. 12: “either we help or the employer [with the accommodation]. If not employer then we try to help to find one. However the costs of renting are on employees. (...) And we are always in touch with the client, so if from the first day something goes wrong, we always know about it. As for the workers, we give them some time to settle down. If after about a week we have some signals, that something is not right, then we try to find out the reason, what really is a problem. Then we ask the client, what is his opinion, can he do something to help us out. We try to be mediator, because situation is different – it is not a client and candidate anymore, it is employer and employee, it is different relation and we are the third element, where both sides know we want to help, because we spend so much time in matching two parties (...).”

The workers are prepared for departure when they have been informed about the length of time they are expected to spend abroad, their duties and responsibilities during the time of assignment. The delivery of this information is the agencies responsibility (meaning that all the information must be given in their native language). Also, conveying the knowledge about culturally specific norms in different countries is often considered as a part of preparation:

Agency no. 12: "so this what is welcomed in Spain, when everyone greets everyone, smile, talk about family (...) so for instance in Great Britain, where these relations at works aren't that close, and even if someone tries to get closer to one another, everyone there is so busy, do what they have to do and go home. They do not integrate much there at work. In Germany those more sociable ones are considered to be kind of lazy, who don't want to work, while there is so much to do."

When it comes to the wages usually the employees are paid according to the minimum wage standards in particular countries or to the collective labour agreements. Having said this, it is also true that not many local workers would have agreed to work for a minimum wage. What is also important, some respondents noticed that Poles, unlike perhaps few years earlier, now are not that willing to work for a minimum wage:

Agency no. 4: "What I value is that Poles started respecting themselves. Because of their skills they value themselves, and then also our contacts with clients are more demanding, because we have to explain the employer that they will not work for the bowl of rice [laughing] but one has to adjust the wages to the expectations. Because, let's say on the German market, one can employ locals, but they already live there, have their families there, everything is on place. And Poles have to emigrate, either temporary, or permanently, he has to organize his stay abroad, so it is not that easy."

Agencies have to obey the regulations in the countries of their activity, however, some of them notice important differences between the countries they operate in. In the Scandinavian countries for example, high business culture dominates, whereas in places such as the Netherlands and the United Kingdom agencies "sell people" and there are many cases of agencies operating below set standards and not complying with regulations. It is also strongly related to the contacts with the employer, since the market of work agencies is highly competitive:

Agency no. 20: "In the Netherlands there are more recruitment agencies than client firms. And there are solid agencies, smaller, bigger, never mind, but they are good. (...) but there are plenty of those which are springing up like mushrooms after rain and they shut down equally fast (...) they get the money, go out of business, and run to another city to do the same. And that is how they work."

In relation to this, some respondents mentioned the ambiguous practices of some agencies and the dumping prices they offer for their services, which clearly is a sign of some possible infringements and unfair competition. Also many of them mentioned that this kind of practices would destroy their brand and reputation and no serious agency that wants to continue operating in this particular country can afford this to happen:

Agency no. 8: "the Finnish market is good if and only if an agency take all the regulations seriously, comply with all these collective agreements, that is why I think if an agency wants to enter this market and doesn't have pure intentions it will be their failure, sooner or later."

11.14 Impact of the crisis

It has been generally experienced that the economic downturn affected work of employment agencies. However many respondents stressed different aspects of this, also their experience differs according to the type of the agency – recruitment or temporary work agency.

Employers who decide to turn to an agency in order to recruit a suitable person for the job does not want to spend money unless the successful candidate has been appointed. The "success fee" rule of recruitment that has been mentioned before, seem to apply more during the crisis than before it, as one of the respondent mentioned:

Agency no 1: "in general, when one cooperates with a client firms, one has some entry fee, before the recruitment starts, because our recruiter puts considerable effort, he makes calls, meet candidates, and the final settlement of the costs is after the person is employed. And now during the crisis they want to use our services but only under the success fee condition, they didn't want to cooperate when the entry fees apply. So this has been the only thing that changed for us, but when it comes to recruitments, then I think their number has even risen."

It is important to note that importantly this has been an agency that recruits highly skilled persons, especially engineers and IT specialists and it seems that this sector has not been affected by the crisis as much as construction or manufacturing. The agencies operating in the two latter sectors mentioned the inflow of CVs from people with previous experience abroad. This again reminds us about the post EU enlargement migration wave from Poland towards the West. Hence, it is also a reminiscence of the crisis, which hit the countries of destination for Poles, such as Ireland Great Britain Spain, or Italy and the respective sectors of industry there:

Agency no. 13: "here in 2009 everything collapsed, there was no demand for a single person, it was just enough for those who had already been recruited (...) after 2009 more CVs we received from Poles from Europe than from Poland, meaning from England, Ireland, from another European regions."

Not all of these workers, however, had good chances of finding employment through the employment agencies, because their qualifications were not as good as required, especially during the crisis, where the bargaining power was more on the employers' side than on the workers.

Agency no. 11: "there were many Poles with, so called, Spanish episode in their life, so they came through our agency, pity that most of them have very few skills."

In some cases the crisis resulted in visible preference for workers of particular age, such as in the example of the Netherlands and the agency there who recruits specifically for the seasonal work in agriculture. Workers up to age of 22 are in the group with lowest taxation rate, which is more beneficial for the employer. Hence the stress is on recruitment from this age group:

Agency no. 20: "At the moment the most wanted group are boys and girls up to 22 years old (...) because they are from this age group where employer pays the lowest taxes. And unfortunately most of the agencies are turning this way, because the market forced this upon us. Crisis made this that employer is looking for some savings and unfortunately starts employing younger persons. And you know how it is with youths, some of them go to work but some of them to have fun, to drink, to do sightseeing."

Perhaps this is also a way to increase employability among youths and newly graduates, as according to Eurostat young people face serious difficulties in entering the labour market. This is also confirmed in the interviews conducted for this research, where many respondents mentioned lack of experience of youths and graduates, hence difficulties in finding employer who would be interested in employing such person.

Also there has been observed an ambiguous impact on the demand for services for employment agencies. On the one hand there was often an increase in demand for temporary agency workers but on the other hand less demand for workers overall:

Agency no. 18: "the Norwegian market is built in such a way, that direct employment for Poles is very difficult. There are huge restrictions (...) and the company, when it hires typical Kowalski, they can't afford to fire him just like that, because there is no work for him anymore. They have to keep him, pay him wages and all the benefits and so on. So it is more convenient for them to turn to temp agency (...) and rent this worker for two, three months and then return him. They don't have to worry about the accommodation, don't pay rent deposit, don't do the paper work, don't do work permits, don't open an account."

Most of the respondents mentioned that when the crisis hit they experienced downturn in number of recruitment projects, however most of the respondents also mentioned that they have noticed the signs of economic recovery and most of them are back on their feet after the difficult times. As they report, the 2009 and 2010 was a time where they had to survive through the difficult time and as a result some of them have gone or were close to bankrupt:

Agency no. 10: "yes, it was very strong [the crisis], up to such extent that I nearly closed down the business, it was completely unprofitable, in fact I had to top it up with my own money to cover the costs, pay wages and so on. And I am glad I did it because now I am doing very well, but it was difficult back then in 2009 and half of 2010."

Meanwhile, many employers in search for cheap labour turned towards the countries that could provide them with cheap labour, which often meant that the workers were coming from countries outside the EU. Service providers of such workers are not trusted among the other agencies, who claim they violate the law and abuse the reputation of work agencies in general. Moreover, despite the fact that Polish workers are generally found very reliable, they are not considered to be the cheapest workers, at least not as cheap as workers who come from Asia, or Africa – according to information gathered during the fieldwork.

Agency no. 20: "wages took a nosedive, employers do everything to reduce their costs (...) In the Netherlands they started looking more towards the work agencies from Turkey, or Algeria, and so on."

This trend has also been observed in the maritime industry, where the Polish seamen often have to compete with cheap labour especially from the Asian countries:

Agency no. 16: "in general, due to the crisis, agencies look for the savings and for the cheaper crew, and these are the crews from Asia, mainly the Philippines, Indonesia, Burma, these countries."

11.15 Conclusion

The market of work agencies in Poland has been growing and changing substantially since the change of the political and economic regime in the early 1990s. Part of the growth of the market is due to foreign agencies penetrating the Polish market. Moreover, as this research has proved, many Polish recruitment agencies also cooperate with sister

agencies from abroad, for whom they recruit workers (then employed as temp workers). This in turn affects the typical triangular relation that has been established between agency, employer and worker, because the worker signs an agreement with both – recruitment agency and temporary work agency and eventually work for a third party.

This study has observed the different ways agencies operate in the market and seen that they most certainly act as migration facilitators. They are in possession of knowledge on both sides – supply and demand and are aware of the qualities of potential migrants (workforce in sending country) and characteristics of the structure of demand on the labour markets of receiving countries. They also have established business contacts and hence their work in finding clients and matching them with employees is significantly faster and more efficient than an average migrant or company from abroad would do independently.

There are examples of malpractices among agencies, however as we have pointed out, well reputed agencies, or those who operate in some specific sectors, which have earned trust among their clients, cannot afford these, as it could be harmful for their brand (for example allowing for underpayment of migrant workers or offering a contract with description of work that differs from the candidate real qualifications in order to gain more profits for his employment). Nevertheless, in general employment agencies seem to work more efficiently when it comes to matching the worker (with certain qualifications) with potential employers than migrants networks. The latter are more likely for the migrant to take up any job offer (as many Poles in Britain experienced after the EU accession), for jobs that does not match their education and skills, hence leading to depreciation of it and further influencing the employability potential of particular person (case of medical workers). Because employment agencies pay much attention to recruit persons that fit into the job description, the risk of not recognizing adequate skills for the position is very little.

When it comes to destination countries that have an attractive labour market for Polish migrants, but where they do not have established migrant networks, agencies have a scope for action there. This also converge with the information given by respondents involved in recruitment for Scandinavian clients, claiming that this labour market requires certain people with certain skills, unlike for example Great Britain, where many adventurous migrants from Poland headed to, without a job offer. The employment agencies stream the migration flows of qualified manpower to certain industries, where there is demand for migrant workers. Popularity of Scandinavia has grown as knowledge has spread among the migrant workers that conditions of employment are often

more generous there than in other European countries. Also the business culture seems to be high and restrictive towards those who do not comply with the standards, as respondents in this research projects mentioned – agencies that do not comply with regulations and law in particular Scandinavian country quickly fall out of the business.

What often has been mentioned in this research and was perhaps bit omitted in discussing the role of employment agencies in facilitating migrations from Poland to European countries, is their role in improving the qualifications of workers, hence influencing their employability potential in the future. Here, the language courses that many agencies organize are of great importance, especially for the professions which are difficult to fill unless employees have a certain level of command in the foreign language (medical jobs are a typical example), but this also refer to builders, manufacturers, etc., where at least the basic language skills are required).

It is important to note that employment agencies could also prevent the return migration on a big scale by preventing unqualified persons from migrating through their channels. Firstly those units that operate on more than one labour market have potential to shift migrant workers from markets under crisis to ones that still demand workforce. Secondly by delivering a detailed work description to potential migrants (about working conditions, culture of work, etc.) and well developed screening process of the candidates, they are able to match right persons with the employer and send to work only those who will not resign before the end of assignment. In other words it is more likely that those going abroad are not the less skilled but rather the ones who are employed according to their qualifications and whose skills are needed on the foreign labour market. This is also valued by the customers of the agencies, as it minimizes the risk of migration (since the agency takes the burden of finding employment, paper work, contacting potential employer finding accommodation, etc).

Nevertheless, it also has been recognized that often migrant workers would prefer to have a direct contact with employer, without an intermediary, however the situation is complex as we have noticed. Some migrants may only want to migrate for few months, so work through the agencies is a flexible way for them to adjust to their and their employer's needs, which then suggests that temporary work agencies may in particular influence an increase in cyclical migration. However, there are also situations of migrants lacking social networks or language skills in the country of destination, who then have to turn toward the agencies, despite the fact that their preference would be to work directly for the employer. The good news here is, that without skills recognition and

with language difficulties, most likely they would end up in employment that does not match their qualifications, whereas agencies generally put an effort in finding the right person for the position (which also may include special language training for the prospective candidates).

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12. Temporary staffing and labour migration to Norway

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Norway has been the main destination among the Nordic countries for new labour migrants from Central and Eastern Europe. The temporary staffing industry has played an important role in the initiation, facilitation and sustainment of migration flows from new EU member states to Norway over the last few years, through the recruitment and employment of large numbers of Central and eastern European labour migrants.

This chapter explores the closely intersected relationship between the temporary staffing and labour migration to Norway. First we elaborate on the development of the temporary staffing industry in Norway, from the liberalisation of restrictions on temporary staffing in 2000, through the Eastward expansion of the European labour market in 2004 and subsequent economic boom, to the financial crisis in 2008 and the following recovery. Using available registry based data from Statistics Norway and the employers' organisation NHO Service, we trace how the industry has grown in numbers, changed in composition, and expanded into new sectors by recruiting migrant workers. We find that these changes are all closely intersected with the active recruitment of migrants from the new EU member states in Central and Eastern Europe.

We then go on to describe the specific development within the traditional "office sector", health care and education. The office sector has traditionally been an important client sector for the temporary staffing industry, but recruitment of migrant labour does not play any significant role in this area, and its growth over the last decade has been limited. Health and education are two sectors where temporary staffing has become increasingly widespread over the last few years. Much of this is based on recruitment of Swedish migrants. We then devote the most of our analysis to the industries where temporary staffing and labour migration is most closely interrelated – the construction industry and manufacturing. In these industries we analyse in more detail how temporary staffing and labour migration has been related to structural changes in labour

demand and work organisations; how different agencies go about recruiting migrant workers; the rise of a new ethnic division of labour within the industries; to what extent temporary staffing works as a stepping stone into regular employment; the kinds of contracts and assignments that are common; their working conditions; and the ways agency work is adapted to legal regulations and collective bargaining.

The data used in these analyses comes from several different sources. Numbers obtained from Statistics Norway and NHO Service is used to describe the macro development of the industry, while the analysis of the construction industry and manufacturing is based on qualitative interviews with managers and employee representatives (where such exist) in a number of temporary staffing agencies and expert interviews with representatives of the social partners.⁴¹

12.1 Temporary staffing and migration in the 2000's

12.1.1 *Liberalization of regulations*

Up until 2000, Norway had a general ban on temporary staffing. The ban was first introduced in 1971, but with the opportunity of applying for temporary exceptions. From 1983 a general exemption from the ban on temporary staffing was extended to commerce and office work, canteens and warehouses in relation to commerce ("the office sector"), and a number of subsequent amendments eased the access to dispensations from the ban. In the period before 2000, there were nevertheless considerable restrictions on temporary staffing. The most important exceptions were the office sector and specific allowances for regular production firms who were allowed to hire out parts of their staff in down periods (Nergaard *et al.* 2011). Despite restrictions temporary staffing grew as a phenomenon in Norwegian work life during the 1990s, from about 2,500 registered man-years in 1991 to more than 10,000 in 1999 – most of which was within the traditional office sectors.

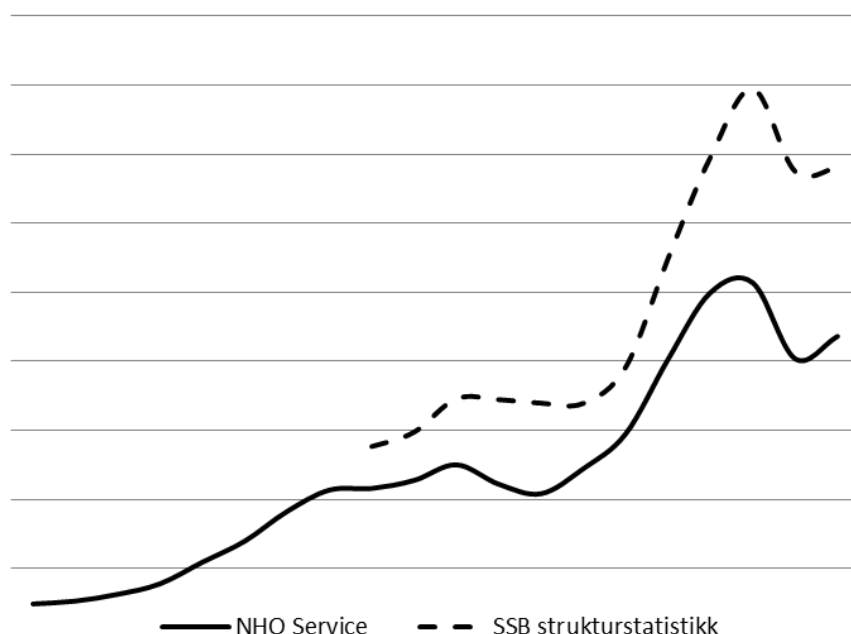
⁴¹ These data were partly collected by and/or in collaboration with other researchers at Fafo involved in a different project about temporary staffing in Norway. The report from this project was published as Nergaard *et al.* (2012): *Utleie av arbeidskraft 2011*. Fafo Report 2011:33. Analyses presented in this short chapter rely to some extent on more extensive analyses presented in this report from Nergaard *et al.* Interested readers are referred to this report for a more extensive analysis of the situation within temporary staffing in Norway.

In 2000, based on the recommendations of a government appointed committee (NOU 1998:15), extensive liberalizations of the regulations on temporary staffing were introduced. The ban on hiring *out* labour was lifted. Instead, the access to hire *in* labour was limited to instances when temporary employment was also allowed or instances where the hiring of temporary workers is agreed upon through collective bargaining. In practice, this meant that firms were allowed to hire workers through temporary staffing agencies if there was a *temporary* need for labour or if the local trade union in the client firm agreed. The liberalization of rules regarding temporary staffing did not seem to have any immediate effect on the general level of temporary staffing in Norway. It took time for agencies and potential customers to change their business strategies, and labour demand was in a down period with relatively high unemployment until 2003.

12.1.2 The growth of temporary staffing

From 2004 onwards, however, this was about to change dramatically. Figure 3.4.1 shows the number of reported FTEs (man-years) in temporary staffing according to NHO Service and Statistics Norway (the difference is due to not all staffing agencies being organized) from 1991 to 2010. From 2004 to 2008 the number of FTEs rose from about 17 to 40 thousand. With the impact of the financial crisis, temporary staffing hit a slump in 2009, but from 2010 the industry was once again on the rise. Although the entire Norwegian economy has expanded in the same period, temporary staffing has increased its relative importance as well as its total size. Nergaard *et al.* (2011: 43) has estimated that employees in temporary staffing amounted to 2.6% of the total Norwegian workforce in 2008, and shrunk to 1.9% in 2010. This estimate includes all employees in the temporary staffing industry. If we detract a generous estimate of 15% administrative staff, hired temporary staffing personnel amounted to 2.3% of all employment in Norway in 2008 and 1.7% in 2010. If we recall table 3.1.1 in the introduction, we notice that the number stated for the penetration rate of temporary staffing in Norway in CIETTs Economic Report for 2011 is far lower – only 1.0% in 2008. The reason is that the numbers from Statistics Norway also include migrant workers on temporary stay and not just settled residents.

Figure 3.4.1 Number of FTEs reported in organized temporary staffing agencies (NHO Service) and number of FTEs reported in Statistics Norway structural statistics for temporary staffing



Source: SSB Strukturstatistikk for næringslivstjenester and NHO Service, Årsstatistikk for bemanningsbransjen.

How do we explain the rapid growth of temporary staffing in Norway? First of all, the liberalisation of regulations on temporary staffing was a *necessary*, but – as the slow growth in the first years after 2000 shows – not a *sufficient condition* for the subsequent rise in temporary staffing.

A second reason for the rise in temporary staffing is related to the general economic upswing which occurred from 2004 and onwards. Since 2004 the total number of employed in Norway has increased by 10% or 280,000, from 2.3 million to almost 2.6 million in 2010. Migration was an important part of the increased labour force output. Immigrants counted for more than half (56%) of the increase in the labour force in this period. Immigrants from EU10 alone constituted one forth of total increase.

This brings us to the third reason behind the exceptional growth in temporary staffing in Norway: the EU enlargement in 2004, and the access to recruit migrant workers from the new member states. Temporary agency work usually provide lower pay, less financial stability, fewer opportunities for training and promotions and infer lower status than regular employment. It has therefore been considered difficult to staff

large numbers of temporary staffing positions in periods when labour markets are tight and unemployment low. This is especially true outside of the traditional office sectors which typically get by using students, young workers and people with a marginal commitment to work (such as part-time stay at home mothers).⁴²

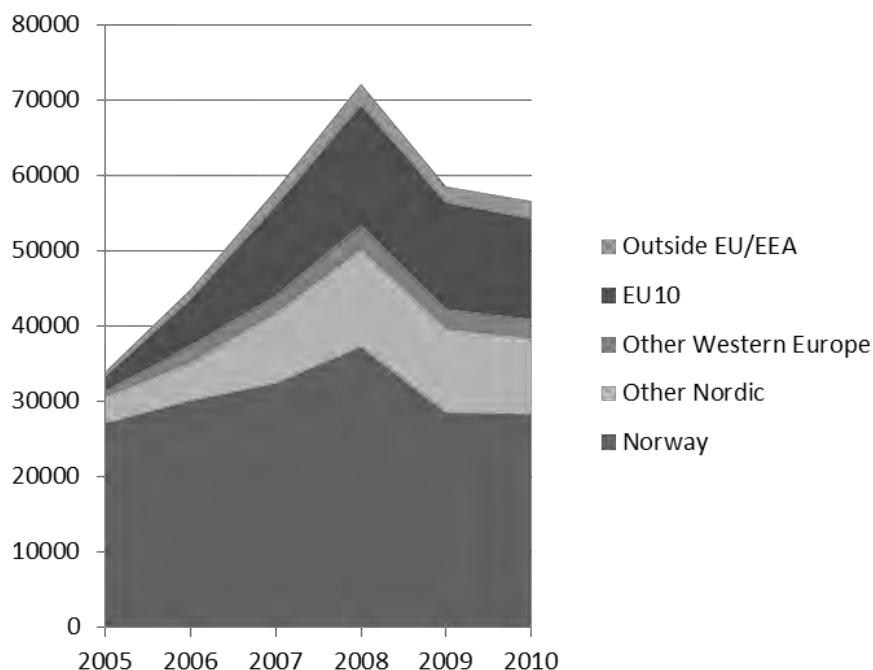
12.1.3 Changing composition of the workforce – new migrants in temporary staffing

The Eastward enlargement of the EU in 2004 provided employers with access to a huge reservoir of workers from countries with a fraction of the Norwegian wage level and thus far less “picky” about their employment conditions. The link between the rise of temporary staffing and migration is even clearer when we look at the development in the composition of the workers in terms of immigration status within the industry. Figure 3.4.2 shows the number of employed persons within temporary staffing during the five-year period from 2005 until 2010. First of all, the number of employed persons in temporary staffing rose from about 30 thousand in 2005 to well over 70 thousand in 2008, before decreasing to less than 60 thousand in the two following years. If we look at the country background of the workers, we find that the increase in the numbers of native workers employed in temporary staffing is quite moderate; from 27 thousand in 2005 to a high point of 37 thousand in 2008. The number of migrant workers, on the other hand has increased from less than seven thousand in the middle of the decade to almost 35 thousand three years later. In the same three year period, the immigrant share of employees within temporary staffing went from 20 to 50%.

Migrant workers from the new EU member states comprise about 24% of all employees in 2010, with Poles being the largest group, followed by Lithuanians. The majority of other immigrant temp workers are from Sweden. People from outside the EU/EEA constitute only 4% of the workforce in temporary staffing, which is not any higher than their general representation in the total workforce. When looking at the settlement status of migrant workers in temporary staffing we find that the majority are registered as non-settled workers. This is particularly the case among Swedish workers, while the Central and Eastern Europeans are more equally divided between non-settled and settled residents.

⁴² http://www.econ.no/stream_file.asp?iEntityId=4552

Figure 3.4.2 The number of employed persons in temporary staffing. Native workers, EU8+2 workers and other immigrants. Both settled and non-settled migrants



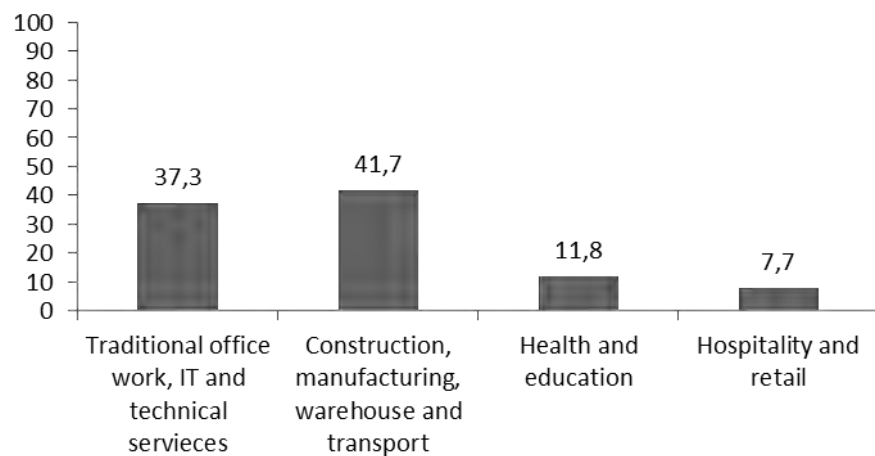
Source: SSB/Fafo.

12.2 Expansion into new sectors and occupations

Along with its growth, the business of temporary staffing also expanded into new sectors and segments of the economy. The registry based employment statistics from Statistics Norway includes information about the nationality of workers employed in temporary staffing, but it does not say anything about which client industries they are working in. Statistics provided from NHO Service about their members provide information about the number of FTEs billed to different client industries, but says nothing about the nationality of the workers. Based on these numbers it is therefore impossible to explore exactly how immigrants are recruited and distributed between different sectors compared to native workers. A closer examination of the data, as well as information from the qualitative interviews, suggest that there is a close link between migration and the expansion of temporary staffing into new sectors. In short we find that the traditional office sector is still one of the major markets for temporary staffing. However, its volume is not much bigger than it was ten years ago, and recruiting migrant labour is not common

in this sector. Health and education on the other hand, is both a new emerging sector of temporary staffing and the recruitment of migrant workers do play an important role in this market. However, the numbers are quite modest compared to the larger sectors, and the migrant workers in question are primarily from Sweden (and not Central and Eastern Europe which is the main focus of this study). As we shall see, it is within construction and manufacturing that temporary staffing has expanded most rapidly and extensively. In these sectors, the workforce is made up almost entirely of migrant workers recruited from the new EU member states in Central and Eastern Europe, although many Swedes and some Germans also have found their way into temp jobs in these sectors. We will therefore present a more in-depth analysis of temporary staffing within these sectors in the next section. First however, for the purpose of comparison, we will provide a brief discussion of the main trends within the traditional office sector and the markets for health and education personnel.

Figure 3.4.3 9.7 mill man-hours billed by temporary staffing agencies organized by the National Federation of Service Industries, divided by client industries. First quarter 2012



Source: NHO Service – Bemanningsbarometeret 1st quarter 2012.

Note: Since relatively fewer operations within construction and manufacturing are organized through NHO Service, it is likely that these numbers severely underestimate the relative importance of these sectors.

12.2.1 The traditional office sector

Before 2000, the so-called “office sector” which includes commerce and IT services, was the only legally accessible market for temporary staffing. With a relatively long history of using temporary staffing, this is the only “mature” market for this type of personnel services. In 1999 NHO Service’s members reported that they had provided a total of 10,800 FTEs to their clients – which were all within traditional office sectors. By examining the numbers for 2011 – and exclude all new sectors such as construction, manufacturing and health – we find that the number of reported FTEs is only moderately higher, about 11,600. Although these numbers are not directly comparable, it is reasonable to conclude that the growth in temporary staffing has primarily occurred elsewhere. Being a mature market for temporary staffing, the large staffing agencies in Norway such as Adecco, Manpower and Proffice are heavily involved in the traditional office sectors, and have been so for many years. So are also a large number of smaller firms – either locally based ones or firms specializing in particular occupations. Their customers are found in both public and private sector, and they have both long-term framework-agreements with client firms as well as provide smaller ad-hoc personnel services. Regarding the motive for hiring temps, earlier research suggests that numerical stability – the need to recruit individual temps in order to fill temporary absence in relation to holidays, sickness, maternity leaves etc – rather than numerical flexibility, is of primary importance for client firms in traditional office sectors (Nesheim 2003). In addition to hiring traditional temps – filling in for absentees – recent studies suggest that the practice of “try and hire” – using temporary staffing as a way of screening the market for new potential permanent employees – has become more common in recent years (Nergaard *et al.* 2011). Guaranteed pay between assignments are not common and neither are local collective agreements. However, according to agency managers, wages usually follow those of the client firms’ own employees or collective agreements if they exist. Most important for our purposes, however, is that temporary staffing agencies involved in traditional office sectors hardly recruit migrant workers. As we in this report are concerned with the recruitment and hiring out of migrant workers we will precede to other sectors.

12.2.2 Health and education

Temporary staffing of health care personnel, and in particular nurses, was one of the first new markets to emerge after the liberalisation in 2000 (Nergaard & Nicolaisen 2002). In 2001, 16 firms renting out nurses were registered in Norway. Although two of the large players – Adecco and Manpower – were positioning themselves in this market, most were small firms specializing in temporary staffing of nurses. These firms were both Norwegian firms recruiting mainly Norwegian nurses and Swedish and Danish firms mainly recruiting nurses from their homelands. The use of temporary staffing agencies was quickly institutionalized and accepted in the Norwegian health sector as a way to accommodate shift work, fill temporary vacancies in relation to holidays and absence, as well as get access to necessary competence. At first, the Norwegian Nurses' Federation (NSF) was sceptical and tried to oppose the liberalisation. After negotiating a number of collective agreements with these firms – with wages well above what was common in the public health care system – NSF started using temporary staffing as leverage in their general wage negotiations (Skjælaaen 2010). At this point nurses employed by temporary staffing agencies were paid far better than publicly employed nurses and they were usually also guaranteed pay between assignments. However, as a result of a favorable general wage settlement for nurses in 2002 – which made it less profitable for nurses to work for staffing agencies – and a process of professionalization of how public tenders were being conducted – exerting a downwards pressure on the prices of temps – the market for temporary staffing of nurses collapsed in late 2002. It took more than five years to recover, and this time it was to a much larger extent based on the recruitment of foreign workers.

From 2006, the market for temporary staffing of nurses started recovering quickly, and Swedish nurses were the dominant group of employees. At this point many of the larger players had consolidated their position by buying up smaller independent specialist firms. Profit margins were considerably smaller than in the first boom between 2000 and 2002, but one of the reasons why the bigger agencies focussed on this market was that it is much less sensitive to economic cycles than for example construction and manufacturing. From 2004 to 2009 the total number of registered nurses employed through temporary staffing increased from 568 to 3,313 – covering about 4% of all employed nurses in Norway. This increase was almost entirely made up of Swedish nurses – from 93 in 2004 to 2,530 in 2009. By 2009, Swedes constituted 76% of all nurses employed by temporary staffing agencies. Norwegian nurses made up only 16%, while other groups – mostly Poles, Lithuanians,

Danes and other Europeans only made up about seven percent (Alsos *et al.* 2012). While there has been some increase in the number of nurses from new EU member states coming to work in Norway through temporary staffing agencies, the numbers remain small. In 2009, about 40 Polish and 30 Lithuanian nurses were employed by staffing agencies in Norway. Most agencies emphasize that language barriers make it difficult to recruit outside the Scandinavian countries. According to Berge *et al.* (2011), the use of temporary staffing agencies is not considered to be a desirable labour strategy among leaders or employee representatives in public health care. Nevertheless it is recognized as necessary in order to fill gaps in shift and rotation systems.

The wage level for nurses in temporary staffing is no longer as favourable as it was in the beginning of the decade, but the majority follows the standard wage regulative in public health. Many of Berge *et al.*'s respondents reported of instances where foreign nurses employed through temporary staffing agencies were offered wages far below local standards, and most of these cases was related to non-nordic nurses from the Philippines or Eastern Europe. Guaranteed pay between assignments are no longer common among nurses in temporary staffing. Agencies often recruit nurses directly from Sweden and many of them commute between the two neighbouring countries. Assignments are often quite short – typically a couple of weeks – and many nurses have several different employers in Norway and/or Sweden. Among the disputes and controversies related to temporary staffing of nurses, working hours rank as the top contender. Since many of the Swedish nurses commute for longer or shorter periods of time, they often have an interest in working long hours. Similarly, problems filling gaps in shift and rotation systems often generates a demand for people to work extra hours or take double shifts. According to the informants in Berge *et al.* (2011) breaches of the working environment acts regulation of working hours is very common, especially when hiring nurses to state health care institutions. The use of temporary staffing is related to another highly contested phenomenon in Norwegian health care, namely the increasing trend of outsourcing municipal health care services to private firms. The argument for outsourcing public services is usually an expectation that private actors may run public services cheaper, more effectively and provide better quality than public providers. Critics argue that there is little scope for improving the quality and effectiveness through organisational and technological change in labour intensive care work, and that the profit margin will depend entirely on lowering the standards on wages and working conditions. Berge *et al.* (2011) suggest an additional reason why municipalities outsource parts of their

services, and that is problems related to labour shortages. Recruiting necessary manpower is often seen as one of the most demanding tasks of municipal health care administration. By outsourcing the entire operation, municipalities are freed from the daunting effort of recruiting manpower. On this backdrop, it is not so surprising that some of the large players in temporary staffing in recent years have gone from providing personnel to taking over the daily operations at several formerly municipal care institutions for elderly.

One of the most recent new markets for temporary staffing is the educational sector – for teachers and preschool teachers and assistants. In 2008, this market was so new that NHO Service did not report on this sector. In 2011, it constituted about 1,000 FTE's. As in health care, we find both small specialist firms and larger staffing agencies operating on this market – which is also less sensitive to economic cycles than many of the larger private sector markets. This became especially important when the market for temporary staffing in construction and manufacturing collapsed in 2008 after the financial crisis that year. Exact figures on the national composition of employees are not available, but according to the respondents in Nergaard *et al.* (2011), the majority of employees are recruited in Norway or Sweden. Some firms, however have specialized in recruiting Polish kindergarten teachers. Among the first to invest in this market was Adecco, the largest staffing agency in Norway, who started recruiting trained preschool teachers in Poland by setting up a three month Norwegian language training course in Poland. Those who passed were offered work through Adecco in Norway – first as assistants, but as their language skills improved they would move on to professional positions. By 2011, Adecco had recruited 75 Polish kindergarten teachers, most of them with higher pedagogical education and many of them had already been permanently employed in the kindergartens where they were first placed.⁴³ Difficulties in meeting the requirement of professionally qualified staff is the main reason why kindergartens use temporary staffing.

⁴³ <http://www.aftenposten.no/nyheter/iriks/article4009071.ece>

12.2.3 Temporary staffing in construction and manufacturing – the rise of a migration industry

Nowhere have the use of temporary staffing expanded more over the last decade than in construction and manufacturing. This is clear from the statistics provided by NHO Service – from zero man-years in 1999 to over seven thousand in 2008 (Nergaard *et al.* 2011). However, because a large number of staffing firms in these sectors are not organized, these numbers severely under represent the temporarily staffed workforce in construction and manufacturing. Reliable numbers on the nationality of workers is not available, but according to our informants the temporary staffed workforce in these industries is almost entirely made up of migrant workers from Poland, the Baltic States and to a lesser extent Sweden. This is where labour migration and temporary staffing is most closely intersected: The use of migrant workers in these sectors can explain a very large part of the increase in temporary staffing in recent years. Recruitment to temporary staffing in construction and manufacturing has played an important role in facilitating recent years' labour migration to Norway.

Immediately after the liberalisation in 2000, only one firm – Adecco – started investing in construction and manufacturing. Activity was very low during the first few years, but even before the Eastward EU enlargement in 2004, Adecco had established an infrastructure for recruitment in Poland, and would soon be a key player in this market. In 2004 the market for temporary staffing of migrant workers in construction and manufacturing exploded and several new firms got involved. Some of them were large established firms with experience from other sectors, while many were new firms specialising in hiring migrant workers to one particular sector:

The EU enlargement in 2004 was crucial for the growth of the staffing industry in Norway. It gave us access to a huge market of people who wanted to work. There were of course many Poles here before, but they were in the informal market. The expansion made it easier to use cheap foreign labor in a legal way (Manager, staffing agency).

In addition to regular staffing agencies we find a plethora of small firms – often registered as so-called NUFs (Norwegian registered foreign company). According to registry based employment statistics 58% of all CEE workers on temporary stay in Norway are employed by so-called NUFs. As these firms often operate in a grey area between hiring out workers and labour intensive subcontracting, the distinction between temporary staffing and posting often seems quite fuzzy in both construction and

manufacturing. This means that the real number of migrant temps is probably higher than suggested by official numbers.

Our informants in both construction and manufacturing point out that the market for temporary staffing of migrant workers is divided between a “serious” part consisting of established firms hiring workers to mostly larger client firms, and a “not-so-serious” part willing to cut corners in order to save costs. These firms usually target smaller contractors where price is the key competitive factor. Larger firms are on the other hand more concerned with avoiding bad publicity and trouble with labour authorities. Some of our respondents – who all place themselves in the “serious category” – complain about unfair competition from these “not-so-serious” firms, while others contend that they operate in different markets:

We are a serious player with a collective agreement. For example, we are not an alternative for building cabins and summerhouses and the like. Because of our prices, we are not an alternative in the market for that kind of projects. But we are a good alternative for the big, serious players

For example, several of our informants emphasized that because they were not able to compete with many smaller firms on the price level, they would have to specialize in sector or production specific knowledge, professional human resource management and close follow-up of their clients.

Illustrative cases

Here follows a description of three different temporary staffing agencies, illustrating the variation in size and operations among typical firms. One Norwegian branch of a major global staffing corporation operating across all sectors of the labour market, one large Norwegian agency with a narrower specialisation on certain markets, and one small firm based solely on recruiting migrants to key clients.

Case 1: This is the Norwegian branch a major transnational staffing agencies, where we have interviewed the general manager, the human resource manager and the employee representative of the company's division for construction and manufacturing. This agency has a long history in providing personnel in the traditional office sectors and was among the first to expand into new sectors after the liberalization in 2000. Its division for construction and manufacturing – established in 2001 – started expanding rapidly after the EU enlargement in 2004, and their staff is made up almost exclusively of labour migrants from Central and Eastern Europe, with Polish workers constituting more than 90 percent. Specializing in different kinds of both skilled and non-skilled workers, and with 40 local offices all over the country they provide services to customers nationwide. The length of assignments can vary from one day to several months. The construction sector is their largest market, but they also provide painters and welders to the manufacturing and ship building industry. In October 2008 they employed 3,300 workers. In the wake of the crisis, this number was reduced to around 1,600–1,700 workers, and today they have 2500 employed workers. Since 2004 they have run their own training camps in Poland where new recruits are given three week courses in basic Norwegian language, health and safety regulations and technical standards. They also recruit among migrant workers already in Norway. The workforce is divided approximately 50/50 between migrants settled in Norway with their families and people commuting between work in Norway and their families in Poland. It is among the relatively few staffing agencies that have entered into a collective agreement with its employees, and has an elected employee representative. Formally, they have a system for wage promotion according to skills and seniority, but according to the employee representative, this system is rarely used. Until recently it was also among the few agencies providing guarantee pay between assignments to its employees, but has now moved away from this arrangement and started offering the standard 'permanent employment without guarantee pay' contract to its new employees. Given their relatively high cost level, they are unable to compete in the most price sensitive segments of the market, and rely mostly on framework agreements with larger customers. This agency is generally positive to any government attempts to regulate the industry more tightly, as this would only level the playing field vis-à-vis their competitors and raise the level of respectability of the industry.

Case 2: This is an agency built up of three different agencies which started up in 2005 and 2006, and was merged into one company in 2011. In this agency we interviewed the general manager and the human resource manager. They specialize in different types of labour: electrical fitters, skilled masons and non-skilled general construction workers as well as some carpenters. While the electrical fitters are primarily recruited from Sweden, masons, non-skilled construction workers and carpenters are mainly Polish. They recruit most of their workers directly from Sweden and Poland, but also hire migrant workers already in the Norwegian market. At the time of our interview they employed about 700 workers, making them one of the largest players in the Oslo area. Most of their Polish workers have families in Poland, but there is an increasing trend towards bringing their families to Norway for settlement here. They do not have a collective agreement, but pay according to the minimum provisions in the generalized agreement for the construction sector. A few of the workers are members of a trade union, but they do not have a trade union representative among their employees. Assignments vary from a few hours or days to several months. This agency does not provide guarantee pay between assignments to any of their employees. They argue that this would be impossible due to the fact that many of their workers alternate between several different employers. They regard themselves as a serious player in the industry and, like many of the big players they focus on quality and accountability rather than low prices.

Case 3: This firm was originally registered as a Lithuanian company, started by a Norwegian businessman in 2006. However, because of the bad reputation which foreign registered companies had acquired among clients, the firm was recently registered in Norway. The owner has recently bought into a new firm focusing on different client industries, but this is still in the making. The firm still has a personnel director located in Lithuania responsible for recruitment of workers. They provide personnel primarily for the fish processing industry, but also do some assignments in construction. The majority of their workers are relatively young and do not have any particular skills. They are recruited through newspaper ads in Lithuania or through personal networks and word-of-mouth. The fish processing industry is characterized by seasonal variations and the typical assignment lasts a few months. At the time of our interview, they had 22 people on assignments, but in peak season they have up to 130 employees. Workers are given temporary contracts for each new assignment, but many have been with them for several years employed on different consecutive assignments. Some of them stay in Lithuania between seasons, while others do different kinds of work in Norway. Neither the workers nor the firm is organized and there are no employee representatives, but all their workers receive the minimum wage according to the collective agreement within the industry. According to our informant, price is of vital importance to their customers.

12.3 Organisational change and labour demand in client industries

The expansion of temporary staffing into new sectors and segments of the labour market has gone hand in hand with changes in labour demand and organisational structure among firms in the new client sectors. The causal relationship between these two is not clear cut. On the one hand, there is no doubt that many client industries over the last decade have gone through extensive changes in terms of competitive structure, labour demand and organisation of work, opening up new spaces for labour market intermediaries. On the other hand, the staffing industry itself is not just a collection of neutral intermediaries that simply match the supply of labour with demand from employers. As purveyors of particular forms of labour market flexibility, agencies play an active role in the construction and making of markets. Through their corporate strategies as well as by their very existence, agencies reshape the norms and expectations of both firms and workers, transforming labour relations along the way. The changes in client industries that we describe here are therefore both a cause and a consequence of the growth in temporary staffing.

In the construction industry – which is often project based and highly sensitive to business cycles – labour demand have always fluctuated. Twenty years ago, contractors would perform all parts of production themselves using their own employees, but since then a gradual process specialization have occurred. At first this was done through the use of specialized subcontractors and “labour pooling” among construction firms. After the liberalization in 2000, temporary staffing agencies started to play a role, but until 2004 it was difficult finding workers who were willing to work through agencies. After 2004 followed a period of rapid growth largely fed by migrant workers from new EU member states reaching a peak in 2008. Then, the financial crisis led to a rapid fall in the activities of temporary staffing firms. Several respondents reported that the workforce was more than halved in 2009. However, by 2011 the market had largely recovered. According to numbers provided by NHO service, construction now constituted a larger share of total revenues in the staffing industry than before the crisis.

According to our respondents, many construction firms now adapt the size of their core permanent staff to their lowest level of activity, while the remaining labour demand is covered using a combination of specialized subcontractors and temporary staffing agencies. According to our interviews, this trend was forcefully accentuated after the finan-

cial crisis, as firms did not hire new internal staff but instead increased the use of agencies and subcontractors once labour demand picked up after the crisis. In other words, the financial crisis seems to have resulted in permanent structural changes in corporate staffing strategies in these sectors, and boosting the market for temping agencies:

In 2008 there was a sudden stop. The contractors prioritized their own. They cut out all hired agency workers and had to downsize from their own employees as well. But this meant that we now receive more orders in the wake of the crisis – they don't employ new workers, but prefer to hire through the agencies... So even if the crisis hit us hard, we gained from it in the long run. (...) We have increased our market share after the financial crisis. The strategy for most client companies now is to sharpen their skills with a small core staff, and then hire everything else through agencies (manager, staffing agency).

This picture is confirmed by the employee's representative in one of the larger firms:

On the project I'm working on now, there are 10 self-employed workers from Slovakia, 20 agency workers [from Poland] and 3 internal employees [of the contractor]. This is a very common way to do it now. Then you don't have to think about sick leave and so on (Polish union representative, staffing agency).

The claim that temporary staffing agencies have strengthened their position within the construction industry after the crisis is supported by several sources. According to Statistics Norway's statistics on the volume of orders within the industry fell by 33% from the 3rd quarter of 2008 to the 3rd quarter of 2009, but by the 2nd quarter of 2011, the total volume was back to 2008 level. In the same period, the total number of internal staff in the largest construction firms was reduced by 30%, while the number of construction workers employed in the eight largest staffing agencies doubled from 2009 to 2011. In October 2011, Oslo Construction Workers Union conducted a mapping of 36 large building sites throughout the city belonging to the eight larger building contractors. They found that among a total of 1,534 workers, 28% were employed directly by the main contractor, 21% were employed by subcontractors and 51% were hired through temporary staffing agencies (Eilertsen 2011).

In the food industry, a similar but slightly different change has taken place over the last few years. Seasonal fluctuations, labour shortages and recruitment of migrant workers are nothing new in the food industry. Usually located in remote settlements along the coast where the local labour supply is limited, fish processing plants along the coast have for example recruited Tamils and Russians for many years. But until recently they did so within their own organizations.

No one in the temporary staffing industry had even thought about the food industry in 2004/2005. The companies had their own personnel departments, and managed everything themselves. But I think they struggled. This created the foundation for our business (manager, staffing agency specializing in food industry).

After the EU enlargement, a number of staffing agencies specialized in recruiting workers for the food industry, and this market is considered to be growing

The Norwegian ship building industry – another corner stone of many Norwegian coastal communities – is cyclical, labour intensive and highly sensitive to international competition (Hervik *et al.* 2005). Thanks to a high level of specialisation Norwegian shipyards had managed to stay competitive, but by the mid 2000's, Norway's extremely high labour costs and the difficulties in maintaining a labour force that was flexible enough to fit the cyclical pattern of production was driving the industry into outsourcing more and more of its production to low cost countries – like Poland or Rumania who also have a long tradition of ship building. Before 2004 the trend seemed to be that engineering, design, coordination and administration soon would be the only part of ship building projects to be performed in Norway, while the actual labour intensive production would have to move to Central and Eastern Europe or Asia where workers were more accessible and less expensive.⁴⁴ After 2004, the opposite suddenly became possible: moving workers while maintaining production in Norway. And that is exactly what happened. Since 2004 Norwegian shipyards have maintained a high level of production based largely on Central and eastern European workers hired through staffing agencies and foreign subcontractors. In many yards, it is common to hire large numbers of employees – often more than half of the workforce – to complete projects. Temporary labour shortages, combined with lower risk, are the two most important reasons for using temporary workers in the shipyards. (Ødegaard & Andersen 2011). Key informants say that the situation is now quite complex. There is a mixture of sub-contracting, production lease and temporary staffing. In some cases subcontractors may be given the responsibility for certain tasks, while at the same time, many of its employees are rented out to the contractor firm.

⁴⁴ For references see: <http://www.fafo.no/Oestforum/Kunnskapsbase/Temasider/allmenngj.htm>

12.4 Recruitment practices among staffing agencies

There is considerable variation in the way temporary staffing firms recruit workers from Central and Eastern Europe. The leading actor on this market first established a training and recruitment center in Poland in 2004. They now have three different campuses in different locations in Poland. Here, applicants are put on a four week intensive course in Norwegian language, skills testing as well as health and safety training. Those who pass are offered a job in Norway. While this firm is the only one to have set up extensive training camps in Poland, many firms have either set up subsidiary firms in Poland, or cooperation with Polish agencies responsible for advertising and recruitment of workers:

We have a subsidiary in Poland, who takes care of recruitment. They do everything, from advertising, interviewing, screening, checking qualifications and references, etc. It is impossible for us to do this from Norway, so it's crucial to have a company in Poland. They can do it because they speak Polish and are close to the market. We have previously been involved with middlemen and intermediaries who took a "fee" from those who were recruited. It was a kind of pimping, so we have tried to avoid that by having our own people down there. (Manager, Staffing agency)

Others contend that active recruitment in sending areas is not really necessary, and that informal networks and word of mouth is the best way to recruit.

Those who want a job in Norway find us. We've made a name for ourselves among those who are interested in working in the industry, so we don't really need to be active in this area. If we put out an ad, we get thousands of applications. No, recruitment is mostly based on word of mouth and networking. There is an initial selection through an interview online. Then the most appropriate candidates are invited for a personal interview in Norway. Recruitment through the informal networks of our own employees is actually the best. Because if someone recommends a friend or a relative, they will want to make sure that they perform. They don't want us to think that they recommended a bad worker or someone not to be trusted.

Most firms, however, follow a combination of different strategies – recruitment among migrant workers already in Norway as well as in origin countries, through active and passive recruitment and through advertising as well as informal networks. Although it is difficult to quantify any such tendencies, our interviews suggest that direct recruitment activities in sending areas played a very significant role in the first years after 2004, but as larger numbers of migrants have established themselves in Norway informal recruitment through personal networks and infor-

mation channels play an increasingly important role. Recruiting workers directly from abroad, many firms offer housing facilities for new employees. Usually in barracks and workman sheds, but sometimes in regular apartments. Workers usually have rent deducted from their wages. Some of our respondents say, however, that they are trying to move away from this practice and prefer their employees to take care of housing themselves, because it is expensive and requires too much administration. In the larger cities this is usually no problem, but those who dispatch workers to smaller communities still need to provide housing to some of their workers.

12.5 Who are the workers? Towards an ethnic division of labour

There is now a clear ethnic division of labour within the supply chain in both construction and manufacturing. The permanently employed core staff tends to be dominated by native Norwegians; while temporary staffing agencies are dominated by migrant workers. Many of our informants point out that domestic labour shortages and the need for migrant workers has become structural and enduring in many sectors. As the manager of a staffing agency providing workers for fish processing plants in coastal Norway explained:

It doesn't matter how high unemployment there is in these communities – the locals do not want these jobs. Young people prefer to leave and go to the cities.

Working for temporary staffing agencies hold a low status within these occupations and almost all of our informants agree that Norwegians are not interested in these kinds of jobs.

There is actually no one who wants to work in the staffing industry. You can just look at the ones who do. It's almost exclusively migrant workers. You have to realize that we are the B-team of the labour market (employee representative, staffing agency).

Central and eastern European construction workers employed in the staffing agencies often describe themselves as a secondary workforce within the industry. However, it is not unreasonable to assume that this strict division between native in-house employees and migrant temps will change or evolve in the near future, at least in the construction industry. According to trade union representatives, increasing numbers of native Norwegian workers are forced to take up work in the agencies. At

the time of our interviews this did not appear to be very widespread, but a quick search in Norway's largest websites for job ads reveals that the huge majority of vacancies are found within temporary staffing agencies, suggesting that this is becoming more common, not just for migrant workers. If we break temporary staffing down into different occupations we find a more fine grained ethnic division of labour between different nationalities. Specialists in electro montage are typically recruited from Sweden; specialists in masonry are recruited from Poland; and specialists in meat carving from Slovakia. Carpenters, painters and non-skilled workers are recruited from Poland and to a lesser extent the Baltic countries. Fish processing workers are to a large extent recruited from Lithuania, and to a lesser extent Poland. Most parts of construction and manufacturing is heavily male dominated, and so are the migrant workers in temporary staffing positions. The exception are workers in fish processing, where a significant share of the workforce are females. This clustering of certain national groups is a result of several converging factors. First of all, different countries and regions may have particular traditions and skills related to particular trades. Slovakian meat workers, Polish masons and Rumanian yard workers are just three examples. Second, staffing agencies who invest in training camps and infrastructure for recruitment will necessarily specialize in certain countries where they have the necessary links and infrastructure, creating a sort of path dependency. Third, employers often have preferences for certain nationalities for particular kinds of work based on real or imagined characteristics of different national groups. Polish construction workers, for example, have acquired a reputation for hard work and compliance among Norwegian employers. Finally, network recruitment through kinship, friendship and acquaintance tend to reinforce national clustering. Combined, these mechanisms give rise to ethnic clustering in the labour market in general, and in temporary staffing in particular.

12.6 Does temporary staffing work as a stepping stone into regular employment?

The international literature provides conflicting evidence about to which extent temporary staffing agencies actually work as a temporary stepping stone into regular employment or not (von Simson 2009). There is reason to believe that there are differences depending on the sector of the client firms, since their motives for using temporary agency workers may differ. Our study cannot conclude about the extent to which migrant

workers employed in temporary staffing agencies tend to become permanently employed over time. However, in combination with other studies, we may offer some suggestions about how common this is and to what extent there are differences between sectors. A study of Polish migrant workers in Oslo suggests that very few Polish construction workers gain permanent employment despite several years of working in Norway. Instead, they seem to rotate between different kinds of temporary work within agencies and subcontractors (Friberg & Eldring 2011). Our interviews suggest that many migrant workers would prefer permanent in-house employment over temporary staffing, but that it has become increasingly less common to be offered such jobs:

It is not common to be offered a job with the client firms anymore. 3–4 years ago there were some workers that were offered permanent jobs, but now most contractors prefer to just use agencies. They don't recruit internal staff anymore. [Name of employer] does not like that people are recruited to the client. But among those who get such an offer, I think that 90% would say yes. (Employee representative, Staffing agency).

Our informants among agency managers confirm that it is not very common for agency workers to be employed directly by client firms:

"Try and hire" is not so common in the construction industry because the contractors are no longer interested in employing new workers in their own organization. This is probably a larger problem within the office sector.

The terms of when worker takeovers are allowed is regulated in the contract between agency and client firm. Normally, a worker can be recruited without any charge after a certain period has passed, usually about as six months. If the client company wants to recruit some of the agency workers before this period they must pay a recruitment fee. Our informants in the food industry, has a slightly different take of the question of client takeovers. According to them, the practice is both more common and more accepted in this sector:

We don't recruit for our clients – just for ourselves. But sometimes it happens that our people are being recruited to permanent positions in the client firm – even before the contract period expires. Last year, we had about 35–40 workers who went over to client firms. Being temporarily staffed can be a test-station for both parts. This is not quite clear cut – legally I think we are moving into a gray area here. Sometimes a worker can be released from the contract before time in order to go to work for the client firm. We do a bit of match-making there. If the client firm is looking for a particular type of worker, we can give them a hint about which candidate they should talk to. Many firms may actually be in need of permanent position when they use our ser-

vices. (...) We have no problem with client firms recruiting our workers. On the contrary, I am happy when we can deliver such high quality workers that they are offered a permanent job. (Manager, staffing agency)

As the last quote hints at, the practice of “try and hire” is illegal according to the Norwegian Working Environment Act. Nevertheless, this seems to happen in varying degree in different industries. Register based data suggest that although some Central and Eastern European migrant workers who are recruited by temporary staffing agencies later find employment in other industries, many stay on as temp workers for many years. Of the approximately 12,000 workers from new EU member states who were employed in the temporary staffing industry in Norway in 2007, 45% had left Norway by 2010. Of those still present, 44% had found employment in other sectors – mostly construction and manufacturing. Nine percent were registered as unemployed, while 47% were still registered as being employed by a staffing agency. The comparable number for Norwegian citizens was much lower, only 23%.

Figure 3.4.4 EU10 citizens employed by temporary staffing agencies in 2007, and sector of employment in subsequent years until 2010. (N=11,960)



12.7 Assignments, contracts and financial stability

There is considerable variation in how long a typical assignment may last, both within and between firms. The shortest ones may last only a day or a few hours, while the longest assignments may last up to a year. Typical assignments last for a few days or weeks up to a couple of months. There are mainly three different kinds of contracts that are common among migrant workers employed by the larger temporary staffing agencies. Some agencies use temporary project contracts which last for one assignment at the time. Workers who do several different assignments are then given new temporary contracts for each time, and the agency does not have any responsibilities towards the workers between assignments. The most common type of contract among the larger firms is called “permanent employment without guaranteed pay”.⁴⁵ This contract is recommended by NHO Service, but highly controversial among Trade Unions representatives. This contract may cover a series of consecutive assignments, but workers are not obliged to take on assignments and they do not receive pay between assignments. Employees on such contracts shall be given priority when new assignments are allocated, and they also have some rights regarding sick leave and follow-up beyond each assignment period. However, when there are no assignments for them, they do not receive pay. Finally, some workers may have permanent employment with guaranteed pay. Only one larger staffing agency has used this type of contract as a standard contract, but this firm recently moved away from this practice and started using the standard contract of “permanent employment without guaranteed pay” for new employees. For a period of time this firm was also the only one to have a collective agreement, and our informant claim that until one of their competitors entered into a collective agreement without guaranteed pay, they were under the impression that guaranteed pay was a prerequisite for having a collective agreement. Although no firms use the guarantee pay contract as a standard any longer, some may offer this to certain employees in order to retain workers with particular skills or people whom they have invested in through extensive training. In such cases agencies may seek to tie workers closer to the firm through offering guarantee pay contracts. However, a recent survey among all em-

⁴⁵ http://www.nhoservice.no/getfile.php/Filer/Juridiske%20dokumenter/DM-%23312087-v1-Fast_ansatt_uten_garantil%C3%B8nn%281%29.pdf

ployees in temporary staffing (not limited to construction or manufacturing) found that only 18% of the workers have guaranteed pay between assignments.⁴⁶

To what extent workers have to go involuntarily unemployed between assignments depends largely on the state of the economy. Until 2008, agencies usually had few problems allocating enough assignments to their workers. According to our informants some workers would also use periods between assignments to go to their home countries. In the period since, it has, according to our informants, become more common to go unemployed between assignments. In such cases, workers are sometimes referred to NAV (the unemployment office) in order to claim benefits.

In down periods employees alternate between assignments with us and going to NAV. We help them with that. This has been a growing trend among the Polish workers as they learn the rules. They don't exploit the system – they just learn how to use it. (Manager, staffing agency).

Analyses of registry data have shown that migrant workers recruited through temporary staffing agencies are far more likely to become unemployed and in need of social benefits than those working in other sectors (Friberg & Djuve 2013). Some workers may have an employment relationship with several different agencies, in order to increase their chances of getting assignments. To some extent workers compete with each other for assignments – something which according to our informants the agencies may have a disciplining effect:

We have a disciplining effect on the workforce. Our staff is more efficient and less sick, because we can be much tougher. If a person shirked their duty or shows up drunk on the job – then we just take them out of rotation. We listen to what our clients have to say. If the client is not satisfied, we don't give them new assignments. This sharpens the workers. (Manager, staffing agency)

That client firms decide who gets work and who doesn't is confirmed by the employee representatives. As an employee representative in a staffing agency catering to fish processing factories told us:

⁴⁶ http://www.econ.no/stream_file.asp?iEntityId=4552

The factory decides who to fire among the agency workers. If the agency brings someone who is not good enough, the factory can say that they won't have him. The agency is not here, so they don't really know. They come once or twice per month to talk to the employees. But it is the factory who decides on a day to day basis. So they also decides who gets work or not.(Employee representative, Staffing agency)

Among the workers themselves, this uncertainty of not having a regular predictable income is described as the biggest problem for workers in temporary staffing agencies. According to one of the employee representatives – who himself was employed on a permanent contract with guaranteed pay – this was one of the most important demands of the local unions.

It is very difficult to work without guaranteed pay. For example, it is impossible to get a loan from the bank. We disagree with management about this. We think that everyone should have guaranteed pay between assignments. (Employee representative, staffing agency in construction)

12.8 Wages and working hours

The collectively bargained minimum wage for workers in the food industry has not been extended to unorganised workers, and is therefore only applicable to organised firms. Collective agreements in the construction sector were generalised in 2007, making minimum wage provisions legally binding for all workers within the sector. In the 2010 Polonia survey, construction workers employed by temporary staffing agencies earned an average 26% less than the average earnings of all Norwegian construction workers. However, this was still above the extended minimum wage. A small minority among the temp agency workers made considerably less. Compared to other groups of Polish construction workers, temporary agency workers did quite well. They made slightly less than those who were permanently employed. On the other hand, their earnings were significantly better than those of posted workers employed by Polish subcontractors and workers temporarily employed by Norwegian firms. This corresponds well with the information provided by our informants. In the firms where we conducted interviews, employees typically earned minimum wage or slightly more. In some firms wages would vary depending on the type of assignment, while others had fixed wages. Workers were typically not given credit for skills or experience obtained abroad. Some firms have a system of wage promotion according to skills, language training and seniority, but this was

usually not being put into practice in any systematic way. As there is considerable wage span within the construction and manufacturing industries – meaning that the minimum provisions in collective agreements are substantially below the industry average – our general impression is that staffing agency workers earn considerably less than the permanent staff in client firms.

Making sure that working hours are kept within the provisions of the Working Environment Act has proven to be a major challenge for the temporary staffing industry. The topic has figured high on the agenda in the wake of a series of negative media coverage during 2011, and several of the staffing firms as well as their clients have implemented measures to ensure that the statutory requirements are met. This was a priority for the Labour Inspection Authorities in 2011. On the one hand, client firms who may use temporary staffing in peak production may have an interest in keeping workers on long shifts. On the other hand, many migrant workers commuting between work in Norway and frequent visits to their home country are often interested in working long hours – especially when their contracts make it difficult to predict future income. Many firms use different ways of calculating averages, implying that workers can work long hours in return for taking time off, either based on exemptions from the Labour Inspectorate or through an agreement with the union. However, since many employees work for several different employers, it is not always easy to control their total number of working hours. Inspections carried out by the Labour Authorities in 2011 confirm that not all firms or clients have sufficient routines to make sure that the provisions of the Working Environment Act is followed on this point.

12.9 Regulations and adaptations

One of the key findings from international research on temporary staffing has to do with its institutional embeddedness, or the ways in which the activities of temporary staffing agencies are heavily shaped by the labour market contexts in which they operate. Although the temporary staffing industry is a global industry, dominated by a handful of transnational corporations, the product they are selling is labour – a commodity which to a varying degree is regulated by national legislation and collective bargaining. On the one hand there is considerable variation in the degree to which the industry itself is subject to direct regulation by either government regulations or collective bargaining. On the other, the

activities and nature of temporary staffing markets are of course heavily shaped by the ways in which mainstream employment relations are coordinated and regulated (Coe *et al.* 2010). If, for example, there are generally quite liberal regulations on temporary employment firms in need of flexible staffing solutions will have fewer incentives to use external staffing agencies. Strict regulations of temporary employment on the other hand, may increase demand for external flexible solutions.

Very few temporary staffing agencies in Norway are covered by collective agreements, and agency employees are not covered by the agreements at the client workplace. There are a couple of exceptions among the larger agencies which have signed agreements with local unions, but for the most part, the temporary staffing agencies are unregulated by collective agreements. The main source of regulation is therefore the Working Environment Act (WEA), and those collective agreements which have been extended or generalized.

Regarding minimum wages, this is the case in construction and shipyards. In these sectors, larger staffing agencies usually pay minimum wage or slightly more. They face competition, however, from a significant number of smaller and less accountable firms which may offer wages below the minimum provisions. In the food industry, it is – according to our informants – quite common to offer wages that are below the minimum standard set in the collective agreement. This is, however, fully legal since collective agreements in this sector has not been generalized.

There is no legal provision regarding guaranteed pay between assignments, and there are no such provisions in the few collective agreements which exist. There is considerable variation in to which extent different agencies offer guarantee payment between assignments – a few of the larger agencies have used guarantee pay, but have recently moved away from the practice. Some offer guarantee pay to certain key employees, while most firms do not offer this at all. Some firms claim that this would ruin their business:

We don't pay between assignments. Guarantee pay would be completely impossible. It would destroy the mobility between assignments. It would kill a firm like ours. The workers would claim guarantee pay from us and go to work for other employers at the same time. Then we would have to claim it back. There would be endless legal disputes. And if we tightened our control they would just go into the illegal market. (Manager, staffing agency)

Other firms seem less skeptical of guarantee pay, and seem to view this more as a question of competitive conditions – as long as their competitors don't take such a financial responsibility, they are hesitant to do so

themselves. Guarantee pay between assignments appear to be the most important issue for employee representatives.

According to the WEA, it is illegal to demand payment from employees for offering work. Some of our informants told us that they had been involved with middle-men and recruiters who demanded payment from the workers, but this is something which the larger firms try to avoid.

12.10 Conclusions

There is little doubt that the rapid growth of temporary staffing in Norway is closely intersected and causally linked to extensive labour migration from Central and Eastern Europe – particularly in labour intensive segments of construction and manufacturing. In these sectors temporary staffing agencies have actively facilitated and promoted the use of migrant workers and through their activities they have contributed in lowering the bar for going abroad to work for migrants and employing migrants for Norwegian firms. For the temporary staffing agencies, access to migrant workers in new low cost EU member states have made it possible to expand into new sectors and segments of the labour market, actively transforming labour relations along the way.

There is considerable variation between different sectors in the motives of client firms and the functions. In traditional office sectors as well as health care and education, the need for numerical stability – covering for absentees and making shifts – in combination with difficulties in finding qualified staff – seems to be the most important reason for using temporary staffing. Labour shortages are also an important reason why construction and manufacturing firms turn to temporary staffing agencies. However, numerical flexibility – adapting the size of the workforce to changing production cycles – appears to be the main motive in these industries. Lower costs also appear to be quite important for many client firms – as a motive for using temporary staffing or at least as a consequence. Migrant temp workers in construction and manufacturing are not “temps” in the traditional sense of the word. They do not substitute someone else. Instead using temps have become integral to business strategy, and part of the permanent way of organizing labour.

In the period we have studied, the temporary staffing industry in Norway has remained relatively unregulated. Very few agencies are covered by collective agreements, and government regulations have been quite liberal. This probably contributed to the expansion of the industry based on flexible and cheap migrant workers. Some restrictions existed

on the access to hire workers, but these restrictions were rarely enforced in practice. There were no regulations regarding equal pay as in-house employees, and no demands on guarantee pay between assignments. This has to some extent changed with the implementation of the EU Temporary and Agency Workers Directive (2008/104/EC) which came into force in January 2013, introducing a norm of equal pay as in-house employees. Our data which was collected in 2011 and 2012 cannot say anything about the practical implementation of the directive.

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13. Temporary staffing and labour migration to Denmark

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The temporary staffing industry in Denmark has within the last ten years experienced considerable increase and growth in employment and turnover, but also rapid decline with the arrival of the worldwide financial and economic crisis in 2008. Moreover, the composition of the workforce in the industry has changed substantially. In particular the share and number of temps from the new EU member states in Eastern Europe has increased within this period; a development that has received much attention among the different actors in the Danish labour market.

Moreover, the temporary staffing industry seems to play a particular role in employing migrant workers (Andersen & Karkov 2011). This is illustrated by the relatively large share of foreign nationals working in the temp industry; a share twice as high as in the Danish workforce overall (DI 2011). Additionally, we know that about ten per cent of the Eastern European labour migrants, who came to Denmark between 2004 and 2009, were employed as temps (Pedersen & Andersen 2007).

The development of the temporary staffing industry, as well as its central role with regard to migrant workers, have not gone unnoticed, and have also, according to some, put the Danish system of collective bargaining to the test. The liberalization of the temporary staffing industry in 1990 created new possibilities for starting a temporary staffing agency without a pre-authorization from state authorities; and thus marked the beginning of the expansion of the industry. Although traditionally sceptical towards the use of temps, fearing a trend of more precarious employment, the trade unions started throughout the 1990's to work for an inclusion of the temps in the collective agreements (Kudsk-Iversen & Andersen 2006: 20; Scheuer 2011:11). However, the recent changes in the composition of the workforce in the temporary staffing industry have led to a revived concern among the trade unions as new issues and challenges to the Danish system of collective bargaining have arisen (see e.g. Hansen & Andersen 2008). The temporary staffing indus-

try has been subject to much attention due to concern for social dumping and a lack of compliance to the collective agreements when hiring migrant temps (Pedersen & Andersen 2007:41). References are made to agencies as “bad apples”⁴⁷ contributing in giving the industry a tarnished reputation. Indeed, many of the agencies conceived as bad apples, are among those recruiting and offering Eastern European manpower to the Danish labour market (Pedersen & Andersen 2007; Kudsk-Iversen & Andersen 2006).

This recent development raises questions regarding the changing roles of the temporary staffing agencies – and what consequences this might have on recruitment strategies and the wages and working conditions for temps. Seeking to shed light on these questions, the following section will first describe and assess the recent development within the temporary staffing industry in Denmark, as well as in the client industries. Thereafter, the role of the temporary staffing agencies will be put under scrutiny, where focus will be on what role the agencies play in mediating movement of workers from Eastern Europe to Denmark; how they affect a Danish market, and how they act in relation to the Danish system of collective bargaining. First, however, we will briefly account for the empirical data substantiating this study.

13.1 Data material and cases

The study is based partly on statistical sources, describing the development within the temporary staffing industry, and partly on qualitative interviews with social partners as well as temporary staffing agencies. A main statistical source is data provided by Statistics Denmark for this study specifically. These data afford information on the number of workers in the temporary staffing industry in Denmark from 2001 to 2010, and the distribution of different nationalities within this group of workers. Statistics Denmark’s Databank is moreover used to obtain information on client industries and the extent to which they use temporary agency workers. We will also introduce data from industry analyses made by The Economic Council of the Labour Movement, AE,

⁴⁷ A reference repeated in many of the interviews made for this study, by social partners and temporary staffing agencies alike.

(Baadsgaard & Breck 2011) and The Confederation of Danish Industry, DI, (DI 2011) when relevant.

The qualitative interviews compose the other main empirical source for this study. A total of ten interviews have been made with representatives of trade unions, employers' organizations, and temporary staffing agencies. The informants from the trade unions have been chosen due to the relative high number of temps and/or migrant temps in the industries where their members are employed. The two representatives of employers' organizations interviewed represent respectively the temporary staffing agencies specifically and the employers' more generally. On the trade union side, we have interviewed a representative from a major confederation of trade unions, and trade union representatives within the construction industry, the agricultural sector, and transport, supply and logistics; as well as a representative for the commercial and clerical employees. We have also talked more briefly with representatives from two central trade unions with members in the cleaning sector, and a central trade union representative from the manufacturing industry. We have thus focused on the private sector, as this is where there are conceived to be challenges with regard to the use of migrant temps.

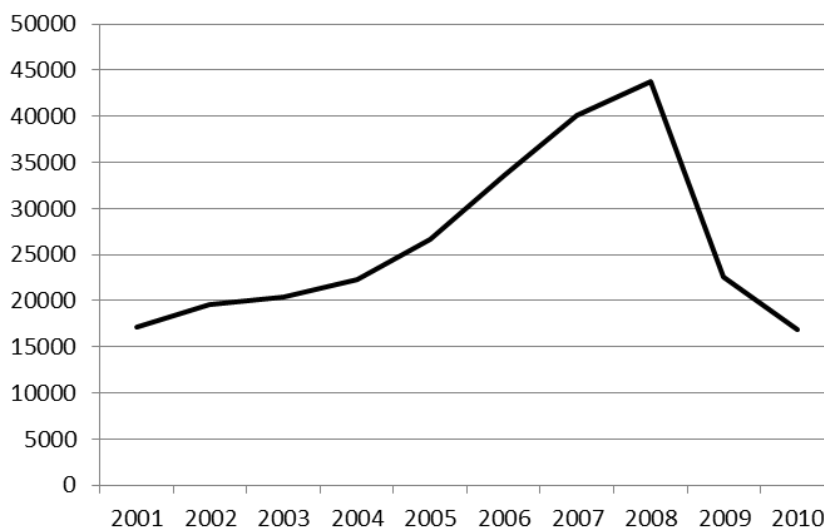
The four temporary staffing agencies have been chosen on a more case-oriented background. Seeking to represent different types of agencies, we have sought a certain diversity with regard to size, client industries, and importance of migrant temps for their business strategy. Some have also been contacted due to known conflicts with the trade unions, having been under suspicion for social dumping. These case studies are not meant to be exhaustive of all different types of temporary staffing agencies in Denmark, but rather represent a selection of different and concrete examples of agencies acting in a Danish context. Before moving on to these concrete examples of agencies, and their perspectives and descriptions, we will in the following provide a profile of an industry of increasing importance in Denmark, in general as well as with regard to migrant workers, but also with a somewhat turbulent few years behind it.

13.2 Ten years of economic boom – and crisis

The temporary staffing industry in Denmark has had both its ups and downs throughout the last ten years. This development can be captured by looking at the employment and number of workers in the industry throughout this period. From 2001 to 2008, the number of people employed in the temporary staffing industry increased from 17,175 to

43,803.⁴⁸ The number of temps was thus multiplied two and a half times within a period of eight years. As the financial and economic crisis set in, however, employment dropped dramatically and counted merely 16,820 temps at the beginning of 2010. That equals almost two thirds of the temps losing their employment in this period (see figure 3.5.1). The increase in employment throughout eight years of boom was thus diminished within the next two years.

Figure 3.5.1 *Number of workers in the Danish temporary staffing industry, 2001-2010*



Source: Statistics Denmark for FAOS, 2011.

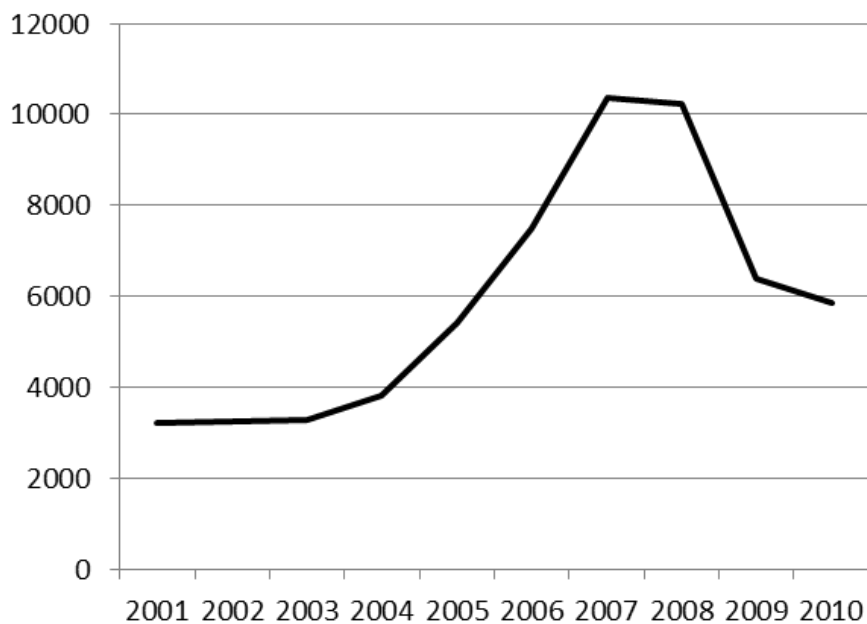
A calculation of full-time equivalents illustrates the same tendency in the employment rates. When the temporary staffing industry peaked in the first quarter of 2008, employment counted 25,000 full-time positions (Andersen & Karkov 2011:157). By the third quarter of 2009 it counted merely 13,500 (Ibid.). Hence, calculated as full-time equivalents the number of positions had been reduced nearly by half within a period of one and a half year. Compared to the drop in the general employment rates in the Danish labour market, which was five per cent from 2008 to 2009, one can conclude that the temps are among the first to lose their jobs (Ibid.:158). This is in spite of the easy access to lay off permanent

⁴⁸ Source: Danish Statistics for FAOS, 2011.

employees in the Danish collective agreements. Furthermore, it is worth commenting on the disparity between the reduction in numbers of workers and in number of full-time equivalents, as it indicates that many temps work less than full-time. A study of Polish workers in Copenhagen in 2009 similarly showed that it was a problem for those working as temps to secure enough hours of work (Hansen & Hansen 2009: 79).

Also in terms of turnover, the last ten years can be talked of as somewhat of a rollercoaster ride, as is illustrated in figure 3.5.2. From 2003 to 2007 the domestic turnover in the temporary staffing industry increased 300%; from 3 bn. Danish kroner in 2001 to 10 bn. in 2007. This was succeeded by a major drop in turnover from 2008 to 2009, with a decrease of as much as 4 bn. Danish kroner. Turnover then stabilized around six bn. in 2010.

Figure 3.5.2 Domestic sale for Danish temporary staffing agencies, 2001–2010.
In million Danish kroner



Source: Statistics Denmark.

A third way of charting the last ten years' development is to profile the number of temporary staffing agencies; a number that similarly has been multiplied and later reduced. From 2006 and until the crisis in 2008 the number of agencies increased significantly. As such, the spirit of entrepreneurship seems to have been high within the temporary staffing industry during the years of economic boom (Pedersen & Andersen 2007).

This increase was succeeded by a drop from 1,340 in 2008 to 1,280 in 2009 (DI 2010). Although the number of agencies closing down is now diminishing, the crisis has still not let the industry completely out of its grip; more than half of the temporary staffing agencies were running with a deficit in 2010, which is in fact more than in 2009, where the percentage was 43 (DI 2011). Recent analyses give however reasons for cautious optimism in the industry, as employment in 2010 was more or less stable, with only a minor loss of employment (Baadsgaard & Breck 2011). Similarly, in terms of turnover there are also signs of improvement after turbulent years. Turnover seemed to stabilize in 2010, and the industry itself expects an average increase in turnover of about 13% in 2011 (DI 2011).

The turbulence reflected in these statistical data could be seen as illustrating the “*cyclical character*” of the temporary staffing industry, as a representative from a central employers’ organization expresses it. Although the industry was going strong for a number of consecutive years, the crisis hit the industry hard and more so than in other industries. The representative from the employers’ organization regrettably admits that the industry is still dependent on economic upturns, as temps are still not the Danish employers’ first choice when looking for manpower: “*A lot indicates that companies still do not think temps as a strategically part of the work force to the extent that we had hoped*”. As such, he understands the development in the business to reflect economic factors rather than actual structural changes in how to recruit employees.

The importance of the economy for the recent development within the temporary staffing industry is stressed in practically all the interviews, including in the interviews with the temporary staffing agencies. However, as the social partners attempt to give a comprehensive description of the development within the last ten years, the economic explanations are supplemented with considerations regarding the structural changes that have taken place – and how these interact with the economic development (see also Andersen & Karkov 2011; Kudsk-Iversen & Andersen 2006). The liberalization of the industry in the early 1990’s is mentioned as one important regulative and structural change. Moreover, several trade union representatives emphasize a change in the Danish labour market with regard to the workers’ employment status. The increased use of temps, and in particular migrant temps, is interpreted as an increased use of more flexible and precarious employment forms, as well as contributing to a division between core and periphery employees in the firms. This is seen as a threat to the individual worker, but also understood as challenging the trade union; its relative

strength and its opportunities to make demands in their bargaining with the employers, as one representative from the trade union assesses it. The trade union representatives stress moreover what is conceived to be employers' constant search for new ways of ensuring cheap labour, and how the use of temps for years has been lucrative in that respect.

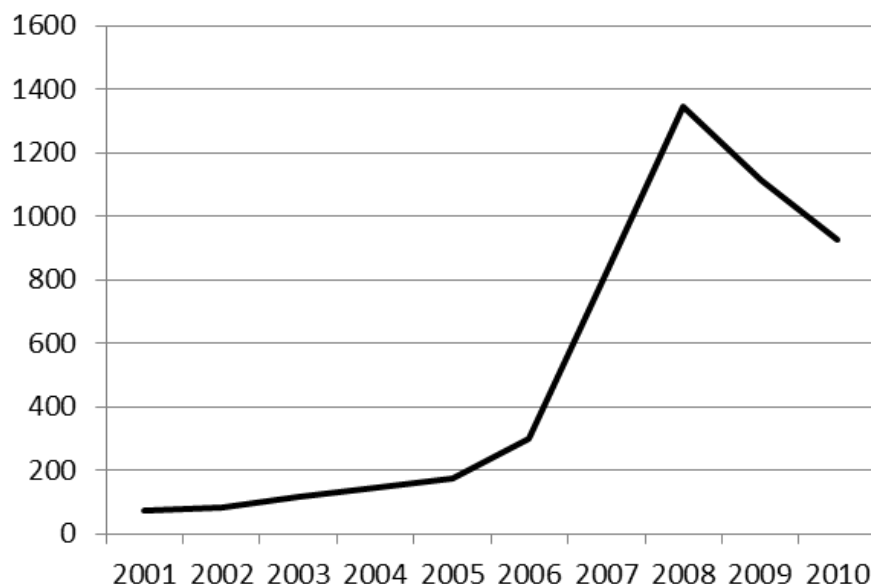
13.3 A changed workforce – and social dumping as new challenge

During the course of the last ten years the composition of the temporary workforce has been altered, inter alia with regard to the use of migrant workers. Throughout the last decade there has been an increase in the share of foreign temps; referring here to temps with other origin than Danish, including also migrant temps. In particular the increased importance of Eastern European temps has received much attention. Turning to the official data on the number of Eastern European temps, the figures seem however to be aiming too low.

According to Statistics Denmark, there were 1,346 temps from Eastern Europe (EU10)⁴⁹ in 2008, which was the year with the highest number of temps – in general as well as from abroad. In contrast, there were merely 73 temps from the Eastern European countries registered in 2001. Moreover, the number of temps from EU10 dropped to 927 in 2010, due to the crisis.

⁴⁹ EU10 includes in this case the ten new EU members from Eastern Europe: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Slovenia, and Slovakia.

Figure 3.5.3 Temporary workers in Denmark from EU10, 2001–2010. Number of persons



Source: Statistics Denmark for FAOS, 2011.

Despite the relative high increase – followed by decrease – illustrated by these numbers, the actual numbers are small. This impression is restated when we look at the largest single supplier of foreign temps to the Danish labour market, Poland. The figures from Statistics Denmark show that, at the most, there were 950 Polish temps working in the country in 2008. This figure dropped to 539 persons in 2010, maintaining however the position as the largest group of foreign temps in Denmark. However, these numbers are notably lower than what is indicated by the trade unions as well as the temp agencies themselves.

One possible explanation for potential under-registration of in particular migrant temps is the criteria for registration. The statistics include only those temps, who have employment in November one year and are registered with an address in Denmark in January the year after. This will exclude inter alia – and in particular – migrant temps, who work only shorter periods, e.g. hold seasonal employment. In the green sector, for instance, temps are widely used for seasonal work. They are often sent home for the winter, as this is a time with less activity in the sector. Thus, they will not be in Denmark at the time Statistics Denmark makes their

registrations. Moreover, temps working in Denmark for a foreign temporary staffing agency will not be counted in this statistics, as it only include temps employed in a Danish temporary staffing agency.⁵⁰

The trade union 3F's newsletter has monitored the development in the industry for a number of years, and made inquiries among temporary staffing agencies about the number of temps they have had working for them. On that background, the newsletter estimate the number of temps from Eastern Europe to be at least 3,100 in 2011; counting only the larger companies, like Vikargruppen Danmark, Adecco and TeamVikaren, as well as seven companies, which were been under the scrutiny of the trade union. This number is likely to have been higher in 2008, which was a top year for the temporary staffing industry, although there is, according to the newsletter, little that indicates a major drop in the number of Eastern European temps due to the crisis. Notwithstanding, the newsletter's estimate indicates that the number of Eastern European temps in Denmark is higher than what the figures from Statistics Denmark suggest.

Following up on the newsletter's information, we have made a small inquiry among seven temporary staffing industries with Eastern European temps affiliated, focusing on their number of temps in 2008.⁵¹ Recapitulating the agencies' number of temp; Adecco had 200 in 2008; Vikargruppen Danmark had 500; PolandForest had 500; JSV Concept had at least 400; EuroWorkers had 70, and Rainer had 70. Additionally, JobServer had in 2008 about 400, according to 3F's newsletter. This agency was taken over by BlueCollar in 2009, who now inform us they have had between 200 and 300 temps per year from 2009 to 2011. Baltic Workforce had about 200 temps in 2008, while Danstaff had between 200 and 300; information obtained from 3F's newsletter. These numbers from a total of nine agencies sum up to a minimum of 2,540, compared to the 1,346 Eastern European temps registered by Statistics Denmark.⁵²

⁵⁰ A third possible source of error is that temps working in Danish agencies will not be included in the figures if their employer is registered with a different main activity than temporary staffing. This will apply to Danish as well as migrant temps, and will as such not explain the indications that the foreign temps are under-registered in these figures.

⁵¹ We have made a telephone inquiry to 14 agencies, out of which we have been able to get in touch with – or get numbers from – seven. We asked about their number of temps in 2008, counting all the temps having worked for them in that year, thereby taking into account the staff turnover throughout the year. The numbers are their own estimates, and not exact numbers.

⁵² Furthermore, it should be recalled that there is an additional number of smaller agencies, which are likely to have Eastern European temps affiliated, and are not counted in this assessment. The exact number of agencies with Eastern European temps is unknown, but most likely appreciable.

As such, the figures from Statistics Denmark can be used to indicate a tendency with regard to a growing share of foreign temps, but the actual number of foreign temps seems not to be fully covered by these figures, neither is the relative increased importance of foreign temps in the Danish labour market.

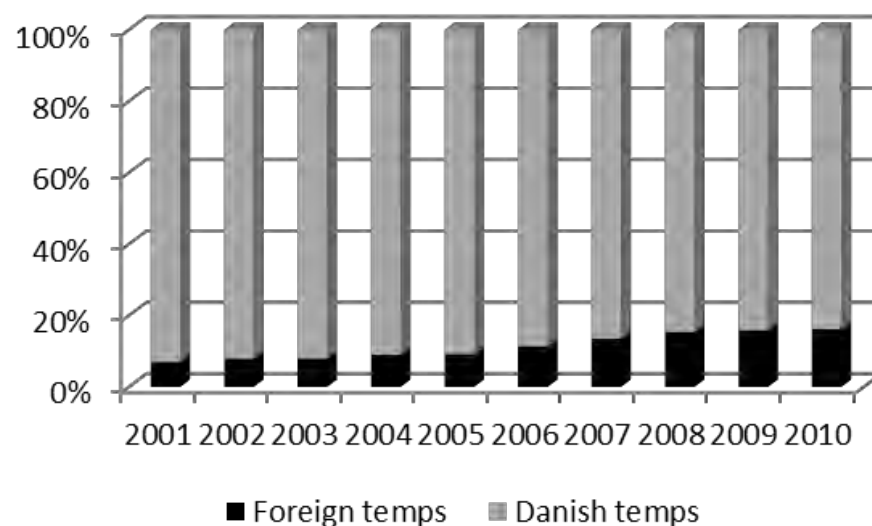
Notwithstanding, the general impression among the social partners is that a larger proportion of the foreign temps in Denmark now originate from Eastern Europe; first and foremost from Poland, but also from Lithuania, Rumania and Bulgaria. While Germany, Sweden and Norway succeeded Poland as the largest providers of foreign temps in Denmark in 2008; Lithuania, Romania, and Bulgaria represented the three most important single providers after Poland by 2010 (Baadsgaard & Breck 2011).⁵³ As such, the relative importance of Eastern European temps seems to be increasing.

This is also indicated by the numbers from Statistics Denmark. The figures from Statistics Denmark show that in 2001 Danish citizens comprised as much as 93% of the temps in Denmark. Nine years later, the relative importance of the Danish temps had decreased with nine per cent, with the relative share of foreign temps increasing accordingly (see figure 3.5.4).⁵⁴

⁵³ These data is similarly based on data from Statistics Denmark, although using a different data set. The tendency indicated here can thus again be faulted with some errors, although perhaps in another way and to a different extent.

⁵⁴ Descendants of immigrants to Denmark are defined here as a group of its own. This group has had a slight relative increase throughout the last ten years; representing 1.56 per cent of the total temp workforce in 2001, this group represents 2.12 per cent in 2010.

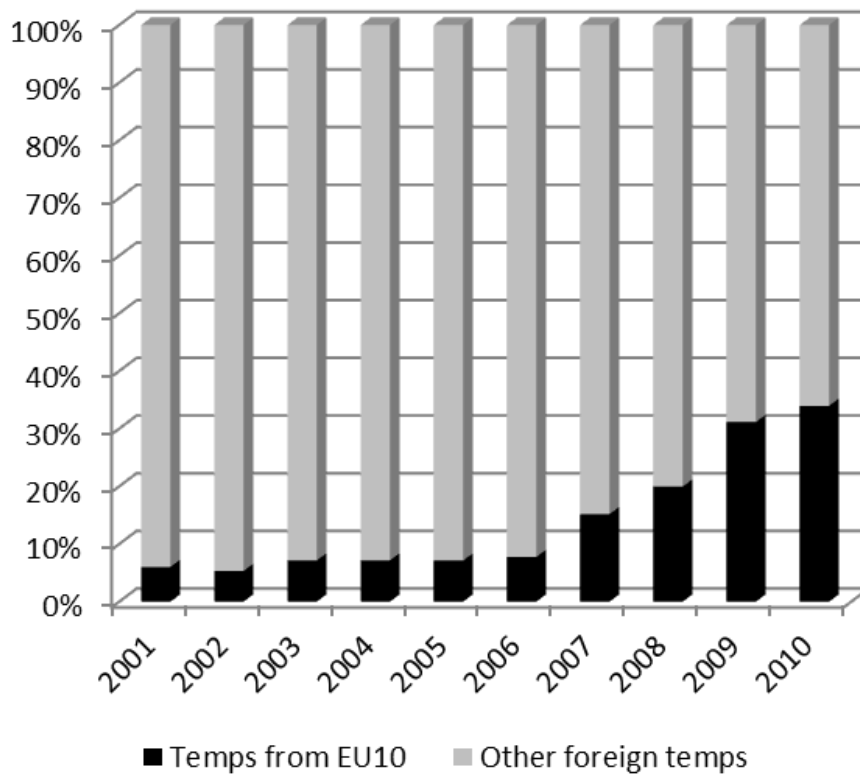
Figure 3.5.4 Composition of workforce based on nationality, 2001-2010. Percent



Source: Statistics Denmark for FAOS, 2011

In particular the number and share of temps from Poland and Eastern Europe increased in this period. Temps from the new EU member states in the east accounted for almost one third of the foreign temps in Denmark in 2010 (figure 3.5.5). This is contrasted to a mere six per cent ten years ago, in 2001.

Figure 3.5.5 Share of temporary workers from EU10 of the total number of foreign temporary workers. Percent



Source: Statistics Denmark for FAOS, 2011.

It is interesting to note in that regard that the relative share of the foreign temps, as it is accounted for in these figures, has not decreased concurrently with the crisis. As such, the share of foreign temps, as well as Eastern European temps more specifically, increased in a time of boom, but this share does not seem to have decreased to the same extent when the prosperous times were exchanged with crisis, although the increase rates were slowing somewhat down.

The altered image of the temporary workforce in Denmark is basically caused by the combined effects of a booming economy in the early 2000s and the opening of the labour markets to the east. Denmark experienced a record low level of unemployment in this period, creating labour shortage in a number of industries. The high demand of manpower and shortage of workers is repeatedly mentioned in the interviews with social partners and temporary staffing agencies as the most central reason for why the agencies started recruiting migrant workers from Eastern Europe. As

such, the role of the migrant temps is described by a consultant in a major employers' organization as "*a stabilizer of economic fluctuations*".

The expansion eastward generated new opportunities with regard to recruitment, and following in the wake of these new opportunities was the emergence of new types of agencies and new ways of using the temps – with social dumping as a main problem, seen from the trade unions' point of view. Among the new agencies appearing, a segment did not work in compliance with the rules set down in Danish collective agreements. These agencies have specialized in cheap migrant manpower, earning them characterisations like "*bad apples*" and "*frivolous*" from representatives on both employers' and trade unions' side. In a study of Eastern European workers in the construction sector employers stated that some of the temps they had hired were paid no more than 30 DKK per hour – less than a third of the minimum pay stipulated by the collective agreement (Hansen & Andersen 2008). In the interviews trade union representatives describe agencies appearing and disappearing, only to reappear again, as a way of escaping the trade unions' awareness and avoid their demands. Examples of agencies going bankrupt up to as much as nine times are given. Other examples are agencies with branches in several countries, attempting to transfer responsibility crosswise the borders, as well as owners with two agencies with almost identical names, making it appear as if the temps are hired in an agency with a collective agreement, but in reality having them employed in the other agency at salaries below the collectively agreed minimum wage.

Until spring 2009 the transitional arrangement applied according to EU-regulation demanded that migrant workers from Eastern Europe obtained wages and working conditions which were in accordance with the relevant collective agreements. Even though trade unions continually complained about violations of the rules it probably to some degree sheltered migrants in the temp industry against social dumping. However, as the arrangement was phased out in 2009 there were no longer any legislation regulating wages or working conditions for migrant workers. Since then it has solely been a matter of being covered by the collective agreements. According to trade union representatives some agencies – "*bad apples*" – have tried to take advantage of the situation and systematically bypassed the collective agreements.

13.4 The development in client industries

Turning the focus from the temporary staffing industry to the client industries, some industries distinguish themselves as more frequent users of temporary staff. In Denmark, almost two thirds of the turnover in the temporary staffing industry is earned in the private sector, while one third is earned in the public sector, mainly within health and care. About ten per cent comes from NGO's. The health sector is the largest single client of temp services in terms of turnover, although its share has decreased rather drastically from 31% to 21% in the period from 2009 to 2010.⁵⁵ In the same period, the manufacture and construction industries, put together, have increased their relative importance from 14 to 19%, and are thus at level with the health sector in terms of importance.

To get an idea of where the temps work, however, it is pertinent to look at the number of hours worked by temps in each client industry. Looking at the number of sold hours, the manufacturing and the construction industries stand out as the main recipients of temp workers in Denmark. Their joint relative significance has moreover increased from 20% to 29% from 2009 to 2010 (see figure 3.5.6).

⁵⁵ The data are from Statistics Denmark's publication "Product statistics for temporary staffing agencies and other employment agencies 2010", released 8.12.2011, and from the related statistical tables in Statistics Denmark's Databank.

Figure 3.5.6 Distribution of client industries. Percentage of number of sold hours, 2009 and 2010



Source: Statistics Denmark, 2011.

The second largest recipient of temp services is the health sector. Again, the sector's relative significance has decreased from 2009 and 2010. The sector has gone from consuming 34% of the total number of hours worked by temps to 22% within one year. This is due to cuts in public spending and a stated objective within the public sector to reduce their use of temps. Another large industry, whose relative importance has increased from 2009 to 2010, is transport, supply and logistics. Additionally, clerical jobs represent a relative important customer for the temporary staffing industry, although its relative importance has dropped significantly the last two decades (Kudsk-Iversen & Andersen 2006:8).

With regard to the distribution of foreign temps in these client industries, we do not have much quantitative information. Interviews with the social partners and the temporary staffing agencies indicate that temps from Eastern Europe work mainly in the manufacturing industry, the construction industry and the agriculture sector, as well as in supply and logistics, and in the cleaning industry. This is due in part to different requirements with regard to language. As such, although temps in general are often used as for instance commercial and clerical employees, there are seldom foreign temps in these functions, as they require that one speaks Danish. Similarly, the health and care sector as well as the hotel and restaurant sector are areas of the Danish labour market where the temps are predominantly Danish or of other Scandinavian origin, often Swedish.

Another distinction can be made between those industries where the use of temps from Eastern Europe seems to offer challenges and those industries where it is more or less unproblematic. One reason for this, according to the social partners, is the difference between stationary and non-stationary workplaces. Another distinction is between skilled and non-skilled manpower, as well as the strength of the union in the different trades. As such, according to a central trade union representative in the manufacturing industry the entry of Eastern European temps does not pose challenges related to social dumping in the industry, as the temps in general obtain the same pay and working conditions as the permanent staff. In the manufacturing industry the workers are often skilled, the workplace is stationary, and moreover, the trade union and the employers' organizations agreed already in 1995 on a protocol addressing the conditions for temps. Furthermore, this representative points out that in the manufacturing industry there is a well-functioning structure of shop stewards on the workplaces, making it easier to solve any potential problems. This relates to the strength of the trade union and the coverage of collective agreements in the respective industries, which again affects the extent to which the use of migrant temps is seen as problematic (Pedersen & Andersen 2007).

As such, the focus on social dumping with regard to Eastern European temps is more pronounced in certain industries or sectors. The agriculture sector is often mentioned as a sector in which Eastern European temps are frequently used, and according to both trade union representatives and employers' organizations; a sector in which the migrant temps are often working under other and worse conditions than those defined in the collective agreements. The employers' organisation in the sector has earlier declared that they see it as a necessity for the survival of the sector to find ways of recruiting manpower that accepts to work for less than what is defined in the Danish collective agreements (Kudsk-Iversen & Andersen 2006). A recent court ruling from 2011 in the trade union's favour is however making the representative from the trade union in the sector hopeful with regard to the temps' employment conditions in the future. He stresses, however, that the use of temps is only one means alongside others used by the employers in the sector to drive down the prices and the salaries. In fact, he already sees the use of temps decreasing concurrently with the increased focus on regulation of temp work, and substituted with other ways of having flexible and cheap migrant manpower employed. He mentions the increased use of apprentices in the sector as a reflection of this recent development, as the apprentice arrangement allows the em-

ployers to pay their workers less. The apprentices are brought in from countries outside EU, in particular from Ukraine.

Likewise, in the construction industry there is a heightened focus on social dumping with regard to migrant temps as well as other forms of temporary flexible employment. A main problematic here is whether the migrant workers, often from Eastern Europe, are to be conceived as temps, posted workers, or self-employed – and thus, what kind of pay and working conditions ought to be applied. The trade union representative from the construction industry expresses this as problematic and as a matter of employers always looking for new ways of obtaining cheap labour; when one way is increasingly regulated, another way is sought for. The use of migrants in temporary and flexible employment is thus seen as a way of circumventing the collective agreements (Kudsk-Iversen & Andersen 2006). This is also an issue raised in the cleaning industry, although the trade union representing the employees in this industry explains that they have not yet given it the same kind of attention as they have in the construction industry. Recently, however, the press, including the trade union's newsletter, has started writing about the conditions of foreign and in particular Rumanian, workers in the cleaning industry; indicating that problems related to social dumping in this sector are now higher on the agenda.

In that regard, it is relevant to reflect on the need the migrant temps are seen to fill. Temp work is often seen as either meeting needs of numerical stability, in the case of absenteeism due to illness, or numerical flexibility; as a means to adjust the labour force as the demand vary. Regarding Eastern European temps on the Danish labour market we can identify differing trends. During the economic boom Eastern European temps were hired in particular in construction and manufacturing in order to ensure numerical flexibility. Labour shortage in these industries was the driving force behind this development. Since the economic downturn and subsequent increase in unemployment trade union representatives have argued that Eastern European temps are no longer contributing to numerical flexibility, but are used to substitute Danish workers. This is mentioned by the trade union representatives in construction as well as representatives from the supply and logistics industry. They talk of the substitution of permanent employees with migrant temps, often with consequences for pay and general conditions on the workplace as well as problems of social dumping. Reference is here made to for instance one Danish transport company, who earlier had 400 Danish permanent employees, and are now operating solely with temps from Lithuania, Bulgaria, and Rumania. Moreover, employers in

agriculture, cleaning and other low pay sectors have over the last decade been arguing that they have difficulties in recruiting Danish workers and therefore have turned to migrant manpower. Following the argument of the employers the migrant workers have in a sense contributed to the numerical stability. It is worth commenting here that in Denmark there are no rules for when it is allowed to use temps; whether to use temps or not is a decision belonging to the managerial right.

With this brief summary of the recent development in the temporary staffing industry in Denmark, including some of the most pertinent challenges and problems emerging in the wake of this development, we turn now to the temporary staffing agencies and their way of acting as well as their perspectives on the Danish context they find themselves in.

13.5 Qualitative case histories

We have talked to four agencies that represent different perspectives and approaches to the use and recruitment of migrant workers from Eastern Europe. Some central characteristics are however shared by all the four agencies; for instance regarding foreign manpower they predominantly recruit from Poland. Furthermore, they are all members of employers' organizations, and as such, obliged to pay in accordance with the collective agreements. It is pertinent to comment that these four agencies do not exhaust the range of agencies in a Danish context. There are for instance several examples of agencies that market themselves as providers of cheap migrant manpower and explicitly emphasize their non-commitment to the collective agreements, allowing them to offer manpower to prices below the level agreed upon by the social partners. In the following, we present each case one by one.

Case 1: The temporary staffing agency, which in the following will be referred to as case 1, is a small agency specializing in manpower from Eastern Europe. The agency was established in 2006, as the owner at the time, who had worked in the agriculture sector, saw the extensive need for manpower in Denmark. While they at one point had as many as 400 temps working for them, they have in the wake of the crisis been required to downsize their business. Today they have 2½ full-time positions in the agency, alongside 20–30 temps doing work for them. The two full-time employees speak Polish as well as Danish.

The temps mainly come from Poland and Lithuania, as well as a smaller number from Rumania and Bulgaria. The agency has a branch office in Poznań, Poland, from where they recruit Polish workers. Affiliated temps

from Lithuania, Rumania and Bulgaria have made contact with the agency on their own initiative. Before the crisis the agency offered both skilled and unskilled workers, but today they specialize in unskilled manpower to the agriculture sector, the fish processing industry, as well as supply jobs. They send temps to different locations in the country.

The agency is a member of the employers' organization The Danish Chamber of Commerce. However, the company has earlier been under the trade union's scrutiny, as there has been suspicion of social dumping, hereunder cheating with how much of the salary that was taken as settlement for rent, underpayment as well as bankruptcy fraud. The company was also mentioned as an example of a "bad apple" in our interviews with trade union representatives, where it was commented on how the company had gone bankrupt only to reappear soon after in the name of another family member and with the same temps affiliated. The conflicts with the trade union took in particular place during the first years after the company was established. We have interviewed a consultant employed at the office from 2008, who explains the conflicts with the trade unions as owing to "misunderstandings". She informs however that the company today seeks to have the temps taking charge of rent payment themselves in order to avoid conflicts about the charged amount. She underlines moreover the company's membership in an employers' organization and the appertaining commitments with regard to pay and working conditions.

Case 2: The second agency is a larger nationwide temporary staffing agency, with offices in eight different locations in Denmark. We have interviewed the head of the department situated close to Copenhagen, and two of the chief consultants employed in this department. The agency was established in 2006, and this specific department was established in 2008. The department had a quarterly turnover of 18 million Danish kroner in the third quarter in 2011, and is the second largest department in the agency. In total around the country the agency has about 800–900 temps affiliated, and in this specific department they have about 150 temps affiliated, out of which approximately 125 were on assignments at the time we spoke. The department has roughly equal shares of Danish and foreign manpower, which means about 75 of their affiliated temps are migrant workers at the current moment.

The foreign manpower is predominantly unskilled workers from Poland. Additionally, they have skilled manpower from Germany. The agency offers temps to all kinds of industries and jobs, from manufacturing to mid-level managers. The Polish temps work mostly in supply and in manufacturing companies. They have some Polish temps in the clean-

ing and agriculture, but this is minimal. The Danish temps are mostly skilled manpower, and work in construction or as clerical employees. The agency is a member of the employers' organization DI.

Case 3: The third case is a medium size agency, with temps located around the country, but with their office in Lolland. The agency was established in 2006, and specialized at the time in manpower from Central and Eastern Europe. In 2009 it merged with another agency, specializing in Danish temps. Today the composition of their workforce is approximately 80% Danish temps and 20% foreign temps. However, at the time of the interview, the agency had approximately 40 migrant temps, which comprises merely 10% of the total temps working for them at the time. The agency had a turnover of about 60 million Danish kroner in 2010 as well as 2009. Noteworthy, they have not experienced the crisis as a downturn period; if anything, they have had more work, the manager reports.

The foreign temps are skilled workers; welders and other craftsmen within shipbuilding, while the Danish workers are mainly unskilled workers in all kinds of industries. The company is a member of the employers' organization DI. The foreign temps are told to join the union, as this is seen as a requirement to avoid problems with the regular employees in the shipbuilding industry. The agency is the only one in this study that hires their temps permanently, guaranteeing their temps a minimum of seven and a half hours of work per week.

Case 4: The fourth case is the largest agency among the four; and among the largest in Denmark. In Denmark, the agency sends between 1,000–2,000 temps out every day to work for client companies in a wide range of industries. Their yearly turnover is about 400 million Danish kroner, and they have about 120 internal employees distributed among the 14 subdivisions settled around the country. Noteworthy, they had as many as 330 internal employees before the crisis, but were required to downsize their staff substantially.

In 2006, the agency started a recruitment program from their sister branch in Poland to service the Danish construction industry with Polish workers; skilled as well as unskilled. At the most, the company had 200 Polish workers in Denmark. With the crisis, the program was suspended, and the number of Polish temps was reduced to as few as ten. In 2011, however, they have slowly restarted the program, and are again recruiting manpower from Poland to the Danish construction industry. The agency is a member of the two major employers' organisations; The Danish Chamber of Commerce and DI.

Based on this, a tentative *typology* of different temporary staffing agencies in Denmark can be indicated:

Firstly, there is the classic agency, which is Danish or international, large in size and with a majority of Danish temps. They offer a number of services, such as temps, recruitment and outsourcing, and market themselves with reference to quality as well as a code of ethics, hereunder commitment to the Danish system of collective bargaining. Case 4 in this study is a typical example of such an agency.

Secondly, there are Danish agencies with a large percentage of migrant temps. These are established rather recently, within the last five years or so, and hold efficiency and price as earmarks. With regard to this type of agency, one can distinguish between those who are committed to the Danish system of collective bargaining and those who are not; as well as between those who have repeated conflicts with the trade unions and those not. Case 1, 2 and 3 could be categorized as such a type of agency, with differences among them inter alia with regard to conflicts with the trade unions.

Thirdly, there is a type of agency not represented in this study, namely the foreign temp agencies operating in Denmark. These are typically not committed to collective agreements, and some offer both temp workers and posted workers.⁵⁶ Price is a central earmark for these agencies, seen for instance on web pages where the price is mentioned as a first thing. Although the agencies are registered abroad, they might have Danish owners.

We have been in contact with a number of agencies of the third type, but they declined proposed interviews. One of these agencies explains that pay is made in accordance with the collective agreements, although they are not a member of an employers' organization and as such, not obliged to. Another agency emphasizes on the other hand their ability to provide manpower for prices below the level agreed upon in the collective agreement. This agency offers unskilled manpower for 80 DKK per hour and skilled manpower for 125 DKK; a price that also covers their own overhead, which often is around 50% of the price, suggesting that payment per hour is approximately 40 DKK and 65 DKK respectively. By comparison, the minimum wages according to the collective agreements in the manufacturing industry and the construction industry are 106.25 and 112.75 kroner respectively. Both agencies have been under the scru-

⁵⁶ Posted workers refer in this regard to workers, whose agency holds all employer's responsibilities, as well as economic responsibilities for the job to be done. As temp work is becoming more regulated, through e.g. the EU-directive, there are agencies marketing with a change in their services from being temp services to now being posted workers.

tiny of the trade union in connection with bankruptcies and social dumping. We will in the forthcoming analysis, when relevant, make reference to statements given by the latter agency in an interview with a national newspaper.

The typology provides an indication of how each of the case agencies in this study can be understood in relation to a larger array of agencies, as well as an understanding of the context in which the cases operate. This is relevant to keep in mind as we now turn to how these case agencies specifically relate to their recruitment of migrant temps.

13.6 The recruitment of migrant workers

A main question in this report is what role the temporary staffing agencies play in mediating movement of workers from Eastern Europe to the Nordic countries, and in this case, Denmark. Looking at the agencies' recruitment strategies, there are not only differences between the agencies, but also diverse strategies within the individual agency. Moreover, the fact that the crisis has affected the recruitment, both in dimension and approach, is inescapable. The crisis' somewhat dramatic effect on the temporary staffing industry has thus caused a rethinking of the recruitment strategies.

All four cases in this study recruit foreign manpower directly from abroad, and more specifically, from Poland. While case 1, 2 and 4 all have a branch office or sister branch in Poland, from where recruitment is taking place, case 3 recruits through network in Poland. However, in the wake of the financial and economic crisis, case 1 and 2 find themselves recruiting more among migrant workers already established in Denmark than from their branch offices abroad. In fact, case 2 does not recruit from abroad at all for the time being, but rather use their network of Polish workers in Denmark when they are in need of manpower. This is also a strategy used by case 1. Although they still recruit Polish workers from their agency in Poznań, they recruit many of their new temps through the temps already affiliated, via advertisements on a web site for Poles in Denmark or at social meeting points like for instance the local Catholic Church in Denmark.

For the largest agency, case 4, the crisis resulted in a cease in their recruitment from abroad as well as use of Polish manpower. In 2011, they started recruiting from Poland again, due to new activity in the construction industry in Denmark, which is the sector to which they recruit Polish temps. Their Polish temps are almost solely recruited in

Poland, as the agency prefers to have the foreign temps go through the agency's recruitment program there, where the interviews can be made in their mother tongue, rather than just showing up at their office in Denmark. This distinguishes them from the other agencies, and in particular case 2, for whom the Polish workers making contact directly with them comprise a majority of their Polish temps.

The differences between the agencies depend on how the agencies use the foreign temps, as well as how they profile themselves as agencies and the services they provide. Case 4 recruits skilled and unskilled workers for mainly long-term jobs in the construction industry in Denmark, and make a point of having a recruitment process, which follows specified steps ensuring quality in the recruitment. Before the crisis, they also had a school teaching Danish set up in Poland, where their candidates were given a 160 hours Danish course, equivalent to one month of full-time work. As they have recently restarted their recruitment from Poland, they have not reintroduced this course. There are however possibilities for Danish courses when in Denmark for those wishing to learn the language, although the consultant we have interviewed comments that the interest is low as English is the working language at the relevant construction sites. The agency provides accommodation and help to meet official requirements to live and work in Denmark; getting a social security number, a bank account etc. The consultant accentuates moreover the agency's follow-up of the migrant temps the first three months, as a manner of providing them with extra care and attention as they are new in the country. Case 4 appears as such as someone investing rather much in the recruitment process as well as in the workers they recruit.

Case 2 has a somewhat different approach to their recruitment process. At the time being, most of their foreign temps have themselves made contact with the agency in their search for a job, or as the manager in the agency describes it; *"It has rumoured that our clients want Polish manpower, so people come in on their own account. It passes from mouth to mouth."* The agency uses its Polish temps as unskilled manpower within the manufacturing industry as well as for supply jobs; the jobs being mainly jobs they find it difficult to recruit Danish workers to do. Their recruitment is as such less strategic, in the sense they do not actively go out to recruit certain types of temps, but focus rather on finding jobs for those making contact. They do not provide any extra services for their temps, like for instance help to find a place to live, to obtain a social security number or find language courses etc. Before the crisis, they had one person hired to help their migrant temps in e.g. the contact with

public authorities, but this is an extra service they have had to cut back on. Compared to case 4, they do not appear to invest as much in their temps and in a strategic recruitment practice, but emphasize rather their role as someone providing contact between highly motivated Polish workers and Danish companies.

Thus, the way the agencies use the migrant workers as temps when in Denmark has consequences for how they approach the recruitment process to begin with. This is significant for the role the agencies come to play with regard to mediating migration flows from the Eastern European countries to Denmark; it is significant for who they choose to recruit and how they recruit them. Moreover, the different ways of approaching the recruitment process relates to the motives the agencies have with regard to recruiting from abroad.

At the outset, the shortage of Danish manpower was, according to all the agencies, the main reason and incentive to start recruiting from Poland. Case 1, 2 and 3 were in fact all established in 2006, at a time when the Danish economy was booming and, as we have seen, the Danish temporary staffing industry was growing rapidly. Case 1 was set up by an employer working within the agricultural sector, where he saw there was a great demand for manpower. Similarly, the former owner of case 3 was an employer within the shipbuilding industry, himself using many temps in order to meet the demands. He therefore set up the agency, which at the time specialized in skilled Polish manpower for the shipbuilding industry. Case 4 started recruiting from Poland in 2006 due to the shortage of manpower, and, as the consultant puts it; *“that one could sense that supply and demand wasn’t balanced well”*. He describes a pressure on Danish salaries, causing what he conceives as a distortion of expenses in the Danish construction industry. The company’s recruitment from abroad was thus assessed in relation to market relations – and the balance between demand and supply.

One could ask, however, why the agencies still recruit from abroad today, as the economic situation has shifted and the demand for manpower has decreased. To this question, the answers are more diverse. As mentioned, case 4 actually stopped recruiting Polish manpower in the wake of the crisis and has only recently started recruiting again. This is straightforwardly explained as being a consequence of lacking demand: *“We went down to having perhaps ten men left in Denmark after having had as many as 200. It was simply because the market was no longer demanding it, and neither were the clients.”* As they now have restarted the recruitment from Poland, this is done with reference to a revived optimism. Case 1 has similarly experienced a substantial drop in the de-

mand, but has nevertheless stayed loyal to their original business model of using only foreign temps as they see it as their niche in a market where most agencies offer Danish manpower. The consultant does however not deny that times have been hard for the agency, and still continuous to be so.

Case 2, on their hand, solely uses Polish temps as unskilled manpower, and emphasizes the high unemployment among Danish skilled workers as a reason why. This is inter alia an ascertainment of the demands in the labour market, where Danish workers are conceived as most often preferred over foreign manpower. Moreover, it can be understood as mirroring ideas concerning the agencies responsibilities as actors in a Danish labour market; emphasizing their commitment to the Danish society more generally. This is most clearly voiced by the manager in case 3, as he states that he is of the conviction that he ought to use Danish manpower to the extent it is possible, in order to keep the Danish society going. He states: *"If I know that I can recruit Danes, then it is my duty as a citizen to make sure the Danes are employed."* Thus, he expresses loyalty to the Danish labour market as part of the larger national society, for whom it is important that its members are employed.

His agency recruits Polish workers for jobs to which there is, according to the manager, a shortage of Danish workers with the required skills. However, it is relevant to question whether the recruitment of migrant temps to the shipbuilding industry is merely a matter of shortage of manpower, as the unemployment rates within shipbuilding are higher than the average unemployment rates in Denmark.⁵⁷ In debates on migrant temps, an often-mentioned motivation ascribed to the agencies as well as the client firms is the access to cheap manpower (see e.g. Kudsk-Iversen & Andersen 2006). In the interviews with the trade unions, price is pointed to as a main motive for using migrant temps, and as such, relates to one of their main points of criticism against the temporary staffing agencies and their clients; namely undercutting the wages levels stipulated in the collective agreements – often referred to as social dumping. In this study, all the agencies deny that price is their motive for recruiting migrant temps. The migrant temps are described as a desirable type of manpower not due to an issue of price but rather an issue of

⁵⁷ Source: Dansk Metal. Accessed 2.01.2012:

<http://www.danskmatal.dk/Nyheder%20og%20presse/Analyse%20og%20fakta/Ledighedstal/Arbejdsløsheden%20i%20Dansk%20Metal.aspx> and Statistics Denmark. Accessed 2.01.2012:

<http://www.dst.dk/pukora/epub/Nyt/2011/NR564.pdf>

quality. The four case-agencies substantiate this argument by referring to their commitment to the collective agreements, which obliges them to pay accordingly, making price less relevant as a motivation. They do however all make reference to other agencies, to which price is a central motivation for why to recruit temps from Eastern Europe, and accentuate the tough competition from these agencies. These agencies could be described as the third type of agency in our typology; explicitly marketing their services with reference to cheap labour, and often using the EU directive on posted workers as a means to circumvent the Danish system of collective bargaining.⁵⁸

Consequently, the case-agencies' motives to recruit and use migrant temps have changed somewhat due to the drastic shift in the economic situation. The high demand was the main incentive to begin with, during a time of economic boom, and the agencies aspired in that situation to contribute to match supply and demand in the Danish labour market. In the wake of the crisis, the agencies have more varied motivations for why they use migrant temps, related to their business model and strategic considerations. They express commitment to the Danish labour market as well as the larger society, as they articulate their considerations on matching supply and demand without contributing to a situation where Danish workers are outmatched in their home market. In that respect, all the case-agencies accentuate that price is not a central motivation for them, although they feel the competition from agencies to which it is.

13.7 Which needs do migrant temps fill in the client firms?

There is no way around the fact that client firms, as the paying customers, and their needs are of vital importance for the agencies. As such, the agencies' motives to recruit foreign temps are closely related to the needs the agencies conceive the client firms to have. This relates to the

⁵⁸ Temps sent from a foreign temporary staffing agency are considered "posted workers" according to the posted workers directive; however, not in the same sense as workers posted by a foreign service-providing company. Thus the country of destination is entitled to enforce general national legislation regarding temporary workers, also on foreign temps and their employer agency. In Denmark regulation of temporary work is left to the social partners through collective bargaining and collective agreement, possible installed by way of industrial conflict.

question of how the agencies affect the market – and the relations between workers and client firms. In that regard, it is again interesting to look at how supply and demand is matched, as well as how risk and uncertainty for the client firms is reduced.

Commencing with an aspect that all the agencies emphasize, it is noteworthy that the migrant temps are referred to in very positive terms. All the agencies have overriding positive experiences with the migrant temps, who distinguish themselves by their heightened motivation and high work effort. The migrant temps are seldom sick, they work longer hours, and they are more efficient in the hours they work; characteristics all the agencies accentuate as being of importance for their clients. One of the needs the agencies fulfil is thus related to the type of manpower the migrant temps represent. The positive evaluation of the migrant manpower relates to a certain work culture, which is seen as outperforming the work culture among the Danish workers. As one of the consultants in case 2 puts it, the migrant temps have *“a different work moral, and they are not sick as frequently and they don’t complain as much.”* Reversely, trade union representatives accentuate how the competition from migrant manpower makes the Danish workers more modest in their demands, and accept to work a little harder in order to keep their job.

In continuation hereof, it is worthwhile looking at the way the migrant temps are used as manpower in comparison to the Danish temps. In three out of four agencies, the temps are recruited for specific tasks – and other tasks than the Danish temps. In case 2, they recruit the Polish temps for solely unskilled jobs, while the Danish and German temps are mainly recruited for skilled jobs. In case 3, the migrant temps are used in specific skilled jobs, to which the agency does not use Danish temps. Case 4 recruits migrant temps for specific jobs in the construction industry; jobs to which they do not recruit Danish temps. Case 1 is somewhat different, as the agency solely recruits migrant temps. Before the crisis, they were recruited for both unskilled and skilled jobs, while today they are mainly used as unskilled manpower. As such, there is a pattern that the fact that the temps are migrants matters for the way their manpower is sold – and thought to fulfil the needs of the client firms. Moreover, this is interesting with regard to the question of the temps’ working conditions. The use of the Eastern European temps as unskilled workers could indicate that they to little extent are able to fully use their qualification; a problem earlier raised by Polish temps in a study of Poles in Copenhagen and their pay-, working- and life conditions (Hansen & Hansen 2009).

So far having focused on a need for migrant manpower, the agencies also focus on how to accommodate specific needs among the client firms

due to the fact that the temps are migrants. Among these are relief of the relatively larger administrative burden involved when using migrant manpower. This can be help to get a social security number and bank account, housing as well as sorting out the different tax rules, in addition to more general administrative burdens related to employing. Notably, relief of administrative burdens is also relevant when the temps are Danish (see e.g. Kudsk-Iversen & Andersen 2006). Nevertheless, the agencies emphasize that this issue is even more prevalent when the manpower is not Danish, something also indicated by the social partners. This circumstance is pointed to as one explanation for why client firms can be prone to hire migrant workers as temps rather than permanent employees to a higher extent than what the case is with Danish workers.

Similarly, the agencies seek to relieve the client firms from any potential communicative challenges due to a lack of language skills. The client firms are relieved of communicative challenges in the sense that they only need to instruct the temps with regard to the concrete work, and do not bear responsibility for communication about issues of pay and working conditions. Moreover, most of the agencies require from their temps that they speak English. At times, however, their level of English is not very good despite such requirements, something which is often solved by sending temps in groups of at least two to the client firms, ensuring that at least one understands and speak English well.

Price is another relevant aspect as the agencies talk of their clients' needs. Although the agencies, as we have seen, deny that they recruit migrant manpower in order to offer cheap labour, they do stress that price is a very central parameter in the competition for clients. All four agencies emphasize their problems of keeping up with the low prices that some agencies offer. In that regard, it is interesting to note the different ways the case agencies relate to price as an important parameter of competition. Case 1 accentuates the tough competition from agencies that do not pay according to the collective agreement. As their own competitive edge is implied in the ability to procure mostly unskilled foreign manpower, they feel the pressure from those offering the same manpower for less money. The agency seeks to compete on price by not having a high contribution margin, being located less centrally and in modestly priced premises. Nevertheless, they find it hard to compete, particularly in the agriculture sector, where many employers do not wish to pay according to the collective agreement. Case 2 likewise reflects on how price and pay is an issue that makes it hard to compete in some industries and sectors. They mention in particular the cleaning sector as an area they cannot compete in due to a large market share

held by agencies paying below the level agreed upon in the collective agreements. Hence, the importance of price depends on the industry in which the agencies seek to sell their services.

Another difference among the agencies related to the industry or sector in which they operate is the extent to which the agencies accentuate their commitment to the collective bargaining system – and what advantages they see in that regard in relation to the client firms. The agriculture sector is highlighted as a sector where the client firms do not bother with the collective agreements, and as expressed by case 1, being committed to the collective agreements is not necessarily an advantage for the agencies. Differently, case 3 and 4 accentuate their commitment to the Danish system of collective agreements when they market their services to the clients, and see this as an important competitive advantage. Although abiding to the collective agreement makes the agency a little more expensive, the manager in case 3 sees it as “*paying off*”, inter alia because it invites the client firms to trust the agency. This is similarly emphasized by case 4, where the consultant states; “*It is very much trust and confidence we sell to our clients*”.

Hence, the agencies strive to offer the client firms a good manpower that is often used to perform specific tasks different from the tasks to which Danish workers are used for. In that light, the agencies contribute in matching supply and demand, but also in shaping the market (ref. Coe *et al.* 2010). The tendency that Eastern European temps are recruited to specific tasks indicates a particular positioning of these temps in the Danish labour market, where they are either solving tasks the Danes do not want – or to fill in gaps, where the supply in the Danish workforce is not sufficient. Moreover, by working strategically to lift administrative burdens for the client firms, the agencies reduce the risks associated with finding manpower outside of the Danish workforce. Price is another important factor for how the agencies’ fulfil the client firms’ needs. In this area, competition is tough, and the agencies in this study accentuate their difficulties in matching the cheapest agencies, with some difference among them with regard to how much they exert themselves in order to keep up. The competition in the temporary staffing market can be seen as affecting the broader labour market, as price is made a crucial parameter of competition. However, treating one’s temps in a good way can also be a competitive advantage, according to some of the agencies. Having so far focused on how the agencies accommodate to their clients’ needs, as well as how they seek to compete in the market against other agencies, it is relevant to look at how these four agencies conceive themselves as accommodating for the migrants and their needs.

13.8 Working conditions for temp agency workers

A key question in this study is how the temporary staffing agencies come to shape the working conditions for the migrant temps as they arrive in the receiver country, in this case Denmark. The question is whether the agencies accept being covered by the collective agreements and furthermore obey to existing laws regarding taxation and health and safety or if they rather lock the migrant temps to a less beneficial position in the labour market. In this regard, pay and working conditions are central issues, as well as the contractual conditions the agencies offer their temps. In order to create an overview the agencies can roughly be grouped in three different categories with regard to how they position themselves in relation to the regulation of wages and working conditions; i.e. the collective agreements. To some degree these categories are building on the tentative typology presented above.

- Agencies being covered by collective agreements and fully complying to the rules of the agreements. They may also actively take steps in order to encourage migrant workers to join the unions and thereby specifically emphasizing the need for dialogue between labour and management and more generally expressing the support for the collective bargaining system.
- Agencies “balancing on the edge of the collective agreements” in the sense that they at a first glance respect the collective agreements e.g. paying minimum wages according to the agreement, but having a closer look they might be ignoring overtime work, bonuses, etc. as well as various social elements in the collective agreements (pensions, payment during sickness, paid holidays, etc.). Consequently, such agencies will in some cases violate the agreements; in other words they so to speak “stay at the bottom of the agreement” meaning that they by respecting an absolute minimum of the stipulations – regarding pay and working conditions - stay within the framework of the agreement.
- Agencies bypassing the collective agreements meaning that they clearly do not want to follow the existing agreement, and for instance advertisements and web-pages emphasize that they are offering cheap labour.

It needs to be emphasized that these categories only reflect the policies of the agencies with regard to approval/non-approval of collective agreements. Further issues often raised by trade unions concerns tax

evasion and violation of health and safety laws; the argument often being that agencies ignoring the collective agreements in some cases also neglect tax and health and safety rules. An official in the Working Environment Agency (WEA) comments that there is a tendency that foreign companies to a larger extent than Danish companies have problems complying with health and safety regulations (Pedersen forthcoming). This relates however not to foreign temporary staffing agencies alone, but more generally to foreign companies in Denmark. The Danish tax authorities have similarly uncovered problems with regard to tax and Eastern European workers in Denmark, although there has not been a specific focus on temps or temp agencies in that regard. The impression is that incorrect guidance is most often the reason why these workers have problems to pay the correct tax. Moreover, there have been a few cases of client firms not paying the 30% tax rate applied for foreign temps, who are hired out by a foreign temp agency to carry out work in Denmark. These were however only a handful cases in 2011, and not necessarily related to Eastern European temps.

Pay and working conditions are among the most controversial topics in the Danish debate on migrant workers, as well as migrant workers in the temporary staffing industry more specifically (Kudsk-Iversen & Andersen 2006). This is confirmed in the interviews with the social partners, as both representatives from the trade unions and the employers' organizations refer to wages below the level agreed upon in the collective agreements as one of the main problems in – and for – the industry. The four case agencies similarly confirm that pay is a hot topic in the industry.

All the agencies in this study are members of employers' organizations; a membership that binds them to comply with the collective agreements. Depending on the sector in which the client firms operate, it is determined whether the agency is to follow their own collective agreement or the collective agreement in the sector.

Regarding pay, a special feature of the Danish system of collective agreements is the difference between minimal pay systems and normal pay systems. In minimal pay systems, the sector collective agreement only sets the level of minimum pay, meaning that actual pay levels are negotiated at company level. Conversely in the normal pay systems, where the actual wage is settled at sector level negotiations. The minimal pay systems today covers around 85% of the workforce covered by collective agreements in the private sector. One of the sectors covered by this pay system is construction. Today the minimum pay in the sector is approximately 115 DKK per hour, however, the average pay is around 170 DKK per hour. If migrant workers in construction are paid the minimum wage,

trade unions claim that this is evading the intentions of the collective agreement as there are no company-level negotiated top-up of wages. The employers on their side tend to argue that this is not the case, but simply the flexibility of pay-levels build into the agreement. Accordingly, this also creates controversies regarding how to understand and define “social dumping”. In that regard, it is worth mentioning that none of the agencies provide the migrant temps with *de facto* opportunities to bargain on the issue of pay. The agencies do however stress that they go by the local agreements and not merely the sector agreements.

All the agencies account in the interviews for the process they undertake to determine what the pay is in each case. There are however differences in how the agencies express themselves in this regard; to some degree reflecting the categories above. The consultant from case 4 elaborates meticulously on how they compare the temp’s pay with that of the employees in the client company; how they examine the temps’ education, experience and relevant certificates; how they look at the specific task and its characteristics; and how they study the different collective agreements to find the correct hourly wage and pay supplements. He underlines that the agency always pays more than the minimum pay defined in the sector collective agreements. Moreover, he stresses that the temps get pension, bonuses if it is relevant and three paid days of unemployment, as well as accumulate seniority and obtain longer notice period over time. Additionally, the agency pays to a maternity/paternity fund for each of their temps. Case 4 is clearly a category 1 agency.

As for case 2 and 3, they can similarly be characterized as a category 1-agency, although their description of how they approach the issue of pay and retribution differs somewhat from case 4. Most notably, case 2 describes that the main principle is to give their temps the same as the regular employees in the client firm. In the cases where the client firm has decided to pay minimum-pay, they will do the same. In that regard, they could be said to “stay at the bottom of the collective agreement”, which is a characteristic of what we here define as category 2-agencies. Moreover, they do not necessarily encourage their temps to be in dialogue with the trade union, as they emphasize that the Eastern European temps are appreciated for not making demands depending on what the trade union tells them.

An agency that by and large appears to be a category 2-agency is case 1. The consultant in case 1 states that the agency ensures minimum wage at the least, and explains that they take the minimum wage in the collective agreement as their starting point, and discuss thereafter with the client firm what would be a sensible level to fall down on; whether

the minimum pay suffices or whether it should be higher in order to better match the pay given to the permanent staff. Asked into whether this means they are complying with both sector agreements and local agreements on the workplace, she confirms this. Her description of how they do it is however not always very precise, creating some doubt with regard to how they relate to the issue of pay. Adding to this is the trouble the agency has had with the trade union and the many accusations of social dumping levelled at the agency. The consultant states that the agency has lost a great deal of clients, particularly within the agriculture sector, as these clients do not want to pay what it requires to comply with the collective agreements. The reference to having lost clients could sound as if the agency earlier did not pay according to collective agreements, and that the decision to do so had consequences for the amount of clients they get. The consultant declares when asked, that they have paid according to the collective agreements for a long time, without specifying that any further.

The differences in how the agencies present their procedures regarding how to settle pay do not necessarily mean there are differences in the end result – or that there is anything wrong, in the sense that it is not in compliance with the collective agreements, in any of the approaches. Moreover, one could argue that paying the migrant workers less than the Danish workers is not necessarily wrong, as both workers and client firms can be happy with the deal. While Danish employers get cheap labour, migrant workers get more than they would get at home. Nevertheless, the differences in how pay is settled is worth mentioning, as it illustrates that there might be variations among agencies with regard to how they shape the migrant temps' pay and working conditions, although the agencies have the same formal obligations. Moreover, it is relevant with regard to the question of whether the agencies contribute in creating a labour market b-team, where the migrant temps work under less beneficial conditions than Danish temps or permanent employees. The Danish trade unions have recently started pointing to a tendency of minimum pay becoming the norm, in particular for migrant workers. Apart from representing a challenge for Danish workers and their level of pay, such a development is also seen to be causing a segregation in the labour market between those with better and worse conditions of work – and between Danish and migrant workers.

Another important aspect with regard to the migrant temps' working conditions, as well as their level of security, is what kind of contracts the agencies offer their temps. Of the four cases in this study, only one agency offers what can resemble a permanent employment contract. The

manager of case 3 offers his temps a contract guaranteeing a minimum of 7.5 hours per week. The other agencies offer their temps contracts of the length the specific task is meant to last. It is noteworthy when talking about permanent contracts for temps that it is not an issue stressed by the trade unions in Denmark. Rather, the demand for permanent contracts is seen as coming from the agencies themselves.

Related herewith is the issue of guaranteed pay. In Denmark, the temps are not entitled pay between assignments. In the transitional arrangement (2004–2009) there was a requirement that the Eastern European workers in Denmark were to have the equivalent of 30 hours a week in order to obtain a working permit, and as such, a guarantee of income. Today this is no longer the case. Case 1 and 2 explain that for this reason their Eastern European temps are often affiliated with several agencies. Case 4 seeks for the same reason to ensure long-term contracts for the migrant temps in order to provide them with a certain security of income when they decide to leave their home country to come work in Denmark.

13.9 The triangular relationship between client firms, agency and workers

The triangular relationship that characterizes the temps' employment relations, where they have two employers rather than one, is another characteristic of temp work, relevant in order to grasp what kind of work situation the temps are offered as they are introduced to the Danish labour market. This relates inter alia to how the agencies contribute to reduce risk and insecurity for the temps. It is noteworthy in that respect that the agencies differ somewhat with regard to how they interpret their role and function in relation to the temps.

One main function the agencies have is to find the temps a job. This function is stressed by the consultants in case 2, as they talk of being an intermediary for migrants coming to Denmark without speaking Danish and with few or no prior contacts to employers. As such, they accentuate reduction of risk and uncertainty for the migrant workers when they arrive in Denmark as part of their task. Their goal is to get these people out in the labour market, and they describe it as a matter of success if any of their temps get permanent employment in the client firm. They also have several examples of this taking place, for both migrant and Danish temps. They emphasize thus their role of recruiting and mediating contact between workers and client firms. The consultant in case 4

makes a somewhat different point, as he describes the agency's role as being an employer for the temps rather than merely a mediator between client firms and workers. He mentions in that regard that the agency prefers to talk about the temps as external employees rather than temps, and explains that the agency seeks to ensure long-term project employment of up to several years for the migrant temps. Additionally, they have events in the agency for all their temps, as a way of creating a feeling of community and belonging to the agency as a workplace. On a different scale, but somewhat similar, case 3 prefers a stable crew of temps, which he sends out to different client firms. This goes for both his migrant and Danish temps.

It is in that regard worth mentioning that neither case 3 or 4 has experienced that any of their migrant temps have obtained permanent employment in the client firms. They explain this by reference to a lack of aspiration among the migrant temps in this respect, as many of their temps come to Denmark for a limited time period in order to earn money and then go back home to Poland. Moreover, neither in the shipbuilding industry nor the construction industry is permanent employment seen as an applicable issue. According to the manager in case 3, the Polish temps are taken in to work at projects, where they need their specific knowledge for a period of time – or need additional skilled workers to finish this particular project. In the construction industry, as the consultant in case 4 describes it, temps are not used to the intention of permanent employment, as the industry is organized in a way that the contractors are in charge of the overall project, and then have smaller companies or temp agencies to procure manpower.

However, none of the agencies in this study have any downright barriers in the case the temps are to get permanent employment in the client firms. They charge a recruitment fee or have rules on when the client firms may take over, e.g. that the temps can only be transferred to the client firm after three months. According to a representative from an employers' organization, this is a usual strategy and also something that is regulated. Notably, however, the manager of case 3 tells that the temps deciding to go for permanent employment in the client firm are not welcomed back in his agency on a later occasion. He prefers to have temps who are motivated to be temps, and sees such a move as an indication of the contrary. However, this is not a big issue with regard to the migrant temps, for whom permanent employment is not as relevant, according to the manager.

Another relevant issue with regard to reduction of risk and insecurity for the temps is union membership. While all the agencies we have

talked to are members of employers' organization, the level of unionization among their temps is low. In the interviews with the trade unions the organization of in particular migrant temps is mentioned as troublesome. The temps' work situation is characterized by moving from worksite to worksite; complicating the trade unions' possibilities to organize the temps. Moreover, the migrant temps, as well as migrant workers more generally, are conceived as being more reluctant than Danes to be recruited as members. This is confirmed in studies looking into union membership in Denmark, where migrants from Eastern Europe are shown to be significantly less likely to join the union than Danish workers (Ibsen *et al.* 2011). Another study shows that merely about ten per cent of the Polish temps were members of a union in 2009 (Hansen & Hansen 2009); compared to a general level of unionization in Denmark at about 67% (Ibsen *et al.* 2011). This pattern is confirmed by the agencies, who explain that most of their migrant temps are not members of the trade unions. The explanation given by the agencies in that respect relates to the migrant temps' short term prospects for their stay in Denmark, where the need for the security offered by the trade union is not conceived as being as relevant. Case 3 stands out in that matter; they oblige their migrant temps to become members of the trade union. This is due to the relative strength of the trade union in the ship-building sector, where any non-members "*will not last long*", as the manager in case 3 puts it. His clients demand therefore that the temps are organized; as a way of avoiding conflicts with the trade union.

Decisively, the relationship between the migrant temps, the agencies and the client firms is on the one hand characterized by the agencies role as a mediator between the two other parties, but also by some of the agencies' wish to be more of an employer for the temps. There are thus moves towards more stable and fixed relations between the temps and the temporary staffing agencies. This is reflected in the different attitudes among the agencies with regard to permanent employment, although the rules on this matter are generally the same in all the agencies. As such, the agencies contribute in different ways to shape the working conditions for the temps, and in reducing risk and insecurity for the temps. It is interesting to note, moreover, the agencies strategies with regard to organization of the temps. This relates *inter alia* to the question of how the agencies' relate to the Danish system of collective bargaining, to which we now turn.

13.10 Adaptations to national and supranational regulations

The rather significant increase in the number of temporary agency workers during the economic up-turn from around 2000 to 2008 showed that agency workers contributed to solve problems of labour shortage in a period characterised by a historical low level of unemployment. Recruitment of workers abroad was a logical consequence of this situation, which also means that the opening of the labour markets to the East in 2004 obviously provided new opportunities for recruitment. Both the more well-known and established as well as new types of agencies took up recruitment in Eastern Europe – especially Poland.

Concerning wage and working conditions for the eastern European agency workers we can roughly identify three categories of agencies; 1) agencies covered by collective agreements; 2) agencies “balancing on the edge of the collective agreements” and 3) agencies bypassing collective agreements. When the use of migrant temps has been so high on the agenda in Denmark it is in part due to how this is seen as challenging the Danish regulation of the labour market, which is characterized by the pre-dominance of collective bargaining. Thus, the agencies’ use of migrant temps is seen as having system-wide consequences (Coe *et al.* 2010:1064). While the trade unions stress the possibly dire consequences for the Danish labour market regulation, the employers’ organizations point to challenges for the industry due to “bad apples”. In that regard, it is interesting to look into how the agencies themselves conceive the Danish system of collective bargaining and their commitments to this system, as well as their relation to in particular the trade unions. Additionally, as the new EU directive on temporary work was due to be implemented in Denmark before long at the time of the interviews, the supranational regulation was also broached in the interviews.

First, it is interesting to note the way the agencies express their commitment to the Danish system of collective bargaining. Three of the agencies express a taken for granted-attitude towards the collective agreements, as something they naturally are committed to as agents in the Danish labour market. Moreover, it is expressed as being a moral commitment. This is explicitly voiced by the manager in case 3, as he talks of underpayment of migrant temps:

“I don’t want to enter into dialogue about it. We just don’t do it. I don’t want our name to figure – that [case 3] pays only 80 kroner per hour. Even if it is legal [...] It’s just all wrong. All wrong. You can’t do that – you can’t treat people like animals. And that is what I feel that one is doing.”

In this quote, he states firstly that the commitment to the collective agreements is not up to discussion, and as such, rather a matter of fact. Secondly, it is noteworthy how he dissociates himself and his agency from underpayment, where he links such a practice to treating humans like animals, and as such, defines it as being an immoral practice. Although it in principle is legal to pay for instance 80 kroner per hour, which is what his example suggests, the Danish system of collective agreements holds a strong position as the morally right way to approach the issue of pay and working conditions. Hence, the regulation of the labour market through collective bargaining is promoted as morally committing. This is similarly seen in case 2 and 4, as the gap between the agencies' own standards and the practice of paying below the level agreed upon through collective bargaining is made explicit. This can be seen as reflecting how the agencies' – and their way of acting – is territorially embedded (Coe *et al.* 2010:1065); shaped not only by economic rules of supply and demand, but also by the societal context in which they work, hereunder the values in the Danish society.

A somewhat different way of relating to the Danish system of collective agreements can be found in case 1, where the commitment to this system appears not as taken-for-granted, but rather as a choice they have made; a choice that moreover can be changed depending on the circumstances. As such, the consultant in case 1 stresses the difficulties the agency has in competing with agencies who have chosen otherwise, and states that their commitment to the collective agreement might be re-evaluated if the Danish implementation of the EU directive allows also foreign collective agreements in the Danish labour market. She states: *"If it becomes legal to pay other salaries to people, we need to consider what direction we want to go"*, and clarifies that this means they will need to reconsider their commitment to the collective agreements as they otherwise will risk going out of business. Here the tension between the Danish system of collective agreements and legislative regulation, coming e.g. from EU, is made visible, as is the possibility to choose between the two. This contrasts to the other three agencies' dismissal of the idea of following the less comprehensive law rather than collective agreements. In continuation hereof, it is interesting to note how the consultant in case 1 evaluates the Danish system of collective agreements as she says: *"[t]he rules are not really set yet"*. The collective agreements are not conceived as having the equal status of a law, and, possibly, without the same binding character.

Considering the membership in the employers' organisation and the commitment to the Danish system of collective bargaining a choice that

can be opted out of, it is also relevant to ask why the choice has been made in the first place. Case 1 has in particular throughout the first few years had many problems with the trade unions. The consultant describes the trade unions as “*very aggressive*”, stating that “[t]hey go after the agencies and try to make life sour for them”. She describes the trade unions as being very powerful and the ones dictating how things ought to be done, and remarks: “*So those you don’t want to become unfriendly with. So we just comply with whatever is coming along*”. In this description of the agency’s relation to the trade union, one could read a certain resignation, indicating that the choice is made in order to avoid problems. The aggravation associated with not abiding to the trade unions’ demands is also expressed by case 2. The manager in case 2 describes the trade unions as being tough and constantly manning the barricades, and explains that when the agency started recruiting from Poland she invited the trade union to come talk to her, in order to avoid any problems. She states: “*I would rather want to comply with everything there is to comply to, because you do not want to make yourself unpopular*”. These statements from case 1 and 2 indicate that it can be conceived as being more convenient to follow the collective agreement than to fight the trade union. Again, the labour market context the agencies find themselves in could be seen as shaping the agencies’ way of acting.

A different take on this context and the importance of the collective agreements in that regard, is expressed by the two other agencies; case 3 and case 4. They express concern with regard to the industry’s overall reputation due to some agencies’ negligence of the collective agreements, which they find not only wrong, but also problematic for the entire industry. As such, the consultant in case 4 says: “*There have been a lot of unfavourable cases for the industry because there have been many agencies starting up, running for a little while, in order to close down and start up again. And that puts the whole industry in a bad light.*” The bad reputation caused by some agencies’ behaviour; consisting inter alia of what could be described as bankruptcy fraud, makes it harder for the industry in general to sell their services, as their clients grow sceptical to what they are in fact buying. Hence, some agencies’ behaviour is seen as undermining the trust between the agencies and their clients, and moreover, affecting the other agencies’ possibilities to do business.

The comments made by the consultant in case 1 with regard to the EU directive on temporary work addresses another issue, namely how the agencies relate to supranational regulation. While all the agencies at some point express a certain commitment to the Danish system of collective bargaining, most of the agencies are less concerned with the supranation-

al level. In fact, case 1 is the only one being concerned with what the EU directive might result in, and in particular whether it will allow foreign collective agreements to be considered equal to the Danish agreements. This fear is not expressed by any of the other agencies. It is however a concern raised by a legal consultant from a major trade union confederation, who explains that worst case scenario is an implementation that allows foreign collective agreements in Denmark. It is worth emphasizing that this is not the most likely implementation of the directive, which is meant to ensure equal conditions for temps. Such an implementation would entail a major challenge to the Danish system of collective bargaining, and in terms of real politics it seems thus to be unlikely.

The other agencies in the study express rather indifference with regard to the EU directive, trusting they will have few problems as long as they follow the Danish collective agreements. They do not foresee any changes with regard to their own strategies due to the EU directive. The impression is moreover that they believe the Danish collective agreements at least, if not more, satisfy the standards of the directive coming from EU. From the employers' organizations' perspective, however, some concern is raised due to the EU directive and its implementation in Denmark. A representative from a major employers' organization explains their objections to the directive as a possible challenge to the Danish system of collective bargaining, which is their preferred way of regulating the Danish labour market. This is a concern also raised by a representative for the trade union on the transport, supply and logistic area. Although he has had success using the EU directive to put pressure on agencies and employers in cases of social dumping, he would much prefer regulation to have its origin in the Danish system collective bargaining rather than at a political and legislative level; whether it is on a national or supranational level.

Overall, the Danish system of collective bargaining still stands as the crucial institution to understand what is setting the terms for the agencies in this case study. This is not to say that this model might not be under a certain threat, as illustrated by the descriptions of a temporary staffing industry where some players ignore this model; a description given by both social partners and the case-agencies. Moreover, case 1's approach is a concrete illustration of how the Danish system of collective bargaining can be positioned in relation to the supranational regulation as the agencies are to set their business model.

Finally, several of the trade union representatives emphasize the tendency that other forms of flexible employment have been replacing temp work in recent years. It is argued that this is the effect of the up-coming

implementation of the EU-directive on agency work. The underlying assumption is that the group of employers and agencies looking for strategies to bypass the collective agreements foresee that the directive might force them to comply with the collective agreements. Therefore they turn to other forms of flexible employment first and foremost posting of workers, but they might also use self-employed workers. Looking at web-sites it is clear that some agencies are not only offering temps, but are also mediating contacts to employers in e.g. Poland, evidently on a legal basis as service providers bringing their posted workers to Denmark. In these cases it is up to the trade unions to ensure that collective agreements are signed and thereby cover these workers and in the case of self-employment ensure that this is not cases of bogus self-employment.

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14. Temporary agency work and labor migration to Sweden

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The temporary agency sector has in most countries a relatively short history. Until the 1990s, temporary employment agencies and private for profit employment agencies were prohibited in many countries or regulated in such a way that their activities remained at a very low level. A deregulation of the sector was made in many countries during the 1990s including Sweden, which has very few rules for temporary agencies and private employment services besides those that apply to all employers. The main exception is that temp agencies are not allowed to charge workers for finding them a job.

Agency work existed before deregulation. The penalties were low for those who broke the rules. But the sector has increased substantially after the deregulation. The expansion of the industry has also meant a widening of the types of workers that client firms can hire from the temp agencies. Previously the industry was primarily a big city phenomenon, but it is now to be found in most parts of the country. The gender composition among temp agency workers has also changed. Previously, the industry employed mostly women, but this has now changed into a majority of men among temp agency workers. Another change is that temp agency workers are hired out to more segments of the labor market, which can be seen by changes in the occupational composition among temp agency workers.

In Sweden, as in many other countries, there has been an idea that temporary agency work can be a stepping stone into the regular labor market for workers who have had a weak attachment to the labor market,

such as youth and foreign born workers.⁵⁹ For Sweden data shows that foreign born, in particular those from non-Western countries, are overrepresented in the industry, i.e. their share of the workforce in the temp agency sector is larger than their corresponding share in the total workforce. About 17% of temp agency workers were born in a non-Western country compared to 9% in the total workforce. This should, however, not be seen as evidence of the stepping stone hypothesis; a more sophisticated analysis is needed. No studies have, however, focused on the representation of EU10 immigrants in the temp agency sector. This group is assumed to primarily consist of labor migrants and the stepping stone hypothesis has been mostly concerned with the role played by temp agencies for groups that have difficulties to get a job as refugees.

In this project we are, however, more interested in the role played by temp agencies in recruiting and not only employing, workers from Central and Eastern European countries, primarily Poland. The national data registers allow us to investigate the number and characteristics of temporary agency workers employed in Sweden. It is possible that some of these workers have been recruited directly from another country but it is probably more common that they get their job after they have already settled in Sweden. In the period May–July 2011 and June–August 2012 several interviews were conducted with representatives for the industry, the labor unions and other organizations to try to gain more insights into how often temporary employment agencies recruit directly from abroad and the wages of those employed in the sector. We find that this does not appear to be a very widespread form of recruitment in Sweden. Our knowledge about other recruitment channels and employment arrangements involving foreign temporary employment agencies hiring out personnel to Swedish firms to work in Sweden is very scarce. There is anecdotal evidence that this is happening, but very limited knowledge based on data. We know, for example, that it is common in the berry picking industry, and that this foreign recruitment has led to problems for the migrant workers. In some cases posted workers could also be included in this group if they are employed by a foreign temp agency and then sent to Sweden to perform a certain job. Even though we know that this is not uncommon on the Swedish labor market, it is very difficult to get an estimate of the size and importance of it.

⁵⁹ See e.g. Amuedo-Dorantes *et al.* (2008), Ichino *et al.* (2008), Andersson *et al.* (2009), Heinrich *et al.* (2009), Kvasnicka (2009) and Jahn and Rosholm (2010) for analyses of the stepping-stone hypothesis.

The outline of the rest of this chapter will be as follows. In section two we describe the emergence of the temporary agency sector in Sweden and the role played by collective agreements. In section three we describe the composition of the workforce in the sector and how it has changed over the period 2001 to 2008, with focus on the representation of immigrants from Central and Eastern Europe. We also describe changes in the occupational composition among temp agency workers. In the fourth section the results from the interviews are described and the results are presented. Section five summarizes and concludes the chapter.

14.1 The development of the temporary agency sector in Sweden

14.1.1 Deregulating the industry

A deregulation started in several countries during the 1980s. It led eventually to a reassessment of a new international level of regulation. The then valid ILO Convention that in practice meant a prohibition of private fee-employment services including temporary work agencies was succeeded by new convention which made it possible for this type of companies to operate. But the convention contains some restrictions for the temp agencies. ILO Convention 181 only applies to countries that ratify it and most countries have not yet done it. For other countries, the ILO has issued a recommendation with the same content (Recommendation No.188).

Also the EU has taken an interest in the staffing industry and the European Parliament and Council issued a Directive in December 2008 dealing with labor relations, including wages for those working in the agency. By 5 December 2011, all EU countries have adapted their legislation to the Directive. The Swedish government appointed on 24 September 2009 an investigation, "Implementation of the European Parliament and Council directive concerning temporary agency workers (Dir. 2009:85)", to investigate how the application of the Directive should be designed for Sweden.

The fact that the industry is less regulated than in the past does not mean that it is unregulated. Some countries have special laws, while others have rules within the general labor legislation that contain restrictions on the occupations and industries to which temp agency workers can be hired out to and the duration of a temp hiring period. The industry is also in some countries like Sweden regulated through collective agreements. They generally relate to wages and other terms

for those who are employed by an agency. But there are also collective agreements for other parts of the labor market regulating the possibilities for client firms to hire temp agency workers. These agreements are concluded between unions and employers' organizations in other industries. Policies of this type were in focus of collective bargaining in Sweden in the spring of 2010 and various restrictions on the possibility to hire personnel have also been included in those collective agreements.

14.1.2 The temp agency sector and the labor unions: collective agreements and bargaining

Before 2001 only white-collar trade unions had collective agreements with the temporary employment agencies employer association, Almega. In 2001 a collective agreement was also agreed upon by the different blue-collar (LO) unions and Almega. This meant that it became easier to hire out blue-collar workers and the temp agencies expanded in those occupations.

The agreement states that full-time work is the standard working time but that it is possible to reach agreements on the local level on part-time work. Special rules are valid for employing and hiring out those who have retired and want to combine pension and work and for students.

Wages are paid for contracted time irrespective of if the employee is hired out or not. For each employee an individual wage is decided that cannot be lower than the minimum wage stated in the agreement. The minimum wage differs according to skill level and age (the minimum wage is lower for young people). The wage should be at the same level as for those being employed at the workplace the temp is hired out to (but not lower than the minimum wage according to agreement). For hours not hired out while employed by the temp agency an hourly wage corresponding to 90% of the average personal wage during the last three months is paid.

For white-collar workers there is a similar agreement regarding pay for hours not worked but the employee has to be ready to take on work immediately if contacted by the employment agency. The payment is considerably lower for those hours than for hours actually worked.

Only certified temp agencies can be members of the employer organization. This rule applies to all firms that have been active for twelve months or more. There are several requirements to be fulfilled for a

company that wants to be certified: They must for example sign the collective agreement for the sectors which the temp agency is active in.⁶⁰ The employer organization reports that about 450 temp agencies are members of the organization in 2011. They do not, however, report how many temp agencies that are active on the Swedish labor market that are neither members nor certified. According to the data from Statistics Sweden workers that were employed in a firm defined as a temp agency in 2008, were employed in 990 distinct firms.⁶¹ Since the number of employees does not differ much between the statistics provided by Statistics Sweden and that provided by the employer organization, as can be seen from Figure 3.6.1, most of the firms that are defined as temporary employment agencies by Statistics Sweden but not members of the employer organization are probably firms with relatively few employees. In general it can be said that the industry is dominated by a small number of large firms. For an extended discussion about the industry structure, see Andersson Joona and Wadensjö (2010).

14.2 Changing patterns in the temp agency sector

14.2.1 An expanding industry: the size of the workforce and its composition

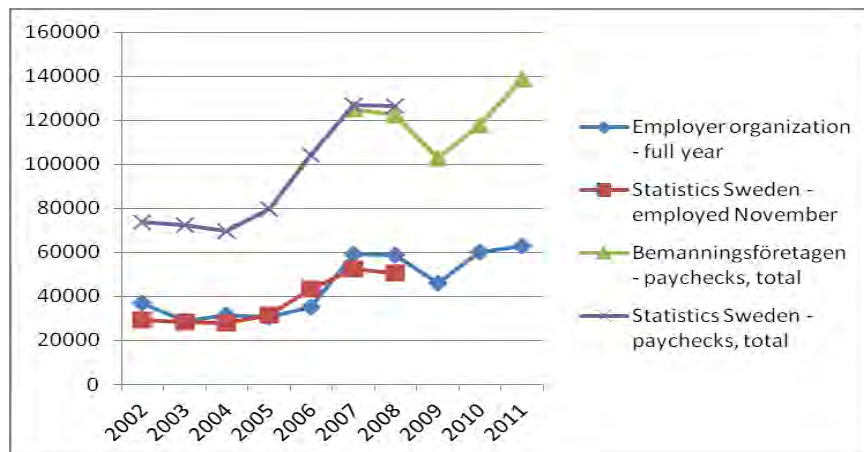
The number of temp agency workers has increased substantially over the last ten years. In this subsection we use both micro data from Statistics Sweden and statistics from the employer organization for temp agencies in Sweden, Bemanningsföretagen. The numbers from the two sources differ, since the underlying population of temporary employment agencies is not the same and the methods of measuring the number of employees differ. Firstly, the employer organization has information about the number of workers at temp agencies that are members of the organization, while Statistics Sweden reports the number of employees in firms that by their industry code (SNI-code) are defined as temp agencies. Secondly, in the employment register administrated by

⁶⁰ For a description of all the requirements to become certified see <http://www.bemanningsforetagen.se/>.

⁶¹ To calculate the number of unique temporary employment agencies in the data we exclude the self-employed, firms with no registered employees, and all movable personnel (workers who have not been assigned to one particular firm). In the raw data it looks like each worker corresponds to one unique firm which is not the case in reality.

Statistics Sweden, only residents are included, and employment is defined as earning income during November. In the administrative data we also have another definition of temp agency workers, namely if a person has received any income from a temporary employment agency during the year independently of whether he or she was employed in the industry in November. As in almost all administrative data, we cannot distinguish temp agency workers from the administrative personnel at the temp agency. The number of temp agency workers presented by the employer organization is also divided into two groups; number of employees during the year and the number who get a paycheck sent out during the year.

Figure 3.6.1 Number of temp agency workers between 2002 and 2011



Source: The employer organization Bemanningsföretagen, www.bemanningsforetagen.se, and Statistics Sweden.

In Figure 3.6.1 the development of the number of temp agency workers between 2001 and 2008 (2010) is presented using the different measures. Although the actual numbers differ the development over time shows the same pattern. After an uneventful period between 2002 and 2005 we see that the number of temp agency workers, both measured as the number employed in November according to Statistics Sweden and the total number of paychecks, increased from 2005 to 2008. This coincides with a general improvement of the economy. Following the financial crisis in 2008, the number of workers decreased between 2008 and 2009 but in 2010 the number of workers in the industry was about the same as in 2008 according to the statistics from the employer organization.

Another important measure of the size of the industry is the share of temp agency workers among all employed workers. In 2011, 1.4% of all

employed workers worked in the temp agency sector. This is still at a low level compared to other countries. See Table 3.6.1 for an overview of the share employed in the sector in some countries. In almost all countries there has been an increase of the share between one and two percentage points and for 2007 it was estimated that the industry was largest in Great Britain were 4.8% of all employed of active age worked in the sector.

Table 3.6.1 Penetration rate (percent) among all employed of active age

Country	1997	2007	Changes in the penetration rate between 1997 and 2007
Sweden	0.4	1.3	0.9
Denmark	0.2	0.8	0.6
Finland	0.4	1.1	0.7
Norway	0.4	1.0	0.7
Belgium	1.3	2.2	0.9
Ireland	0.3	1.7	1.4
France	1.6	2.5	0.9
The Netherlands	2.3	2.8	0.5
Switzerland	0.6	1.7	1.1
Great Britain	2.9	4.8	1.9
Germany	0.5	1.6	1.1
Austria	0.5	1.5	1.0
The USA	1.5	2.0	0.5
Japan	0.5	2.8	2.3

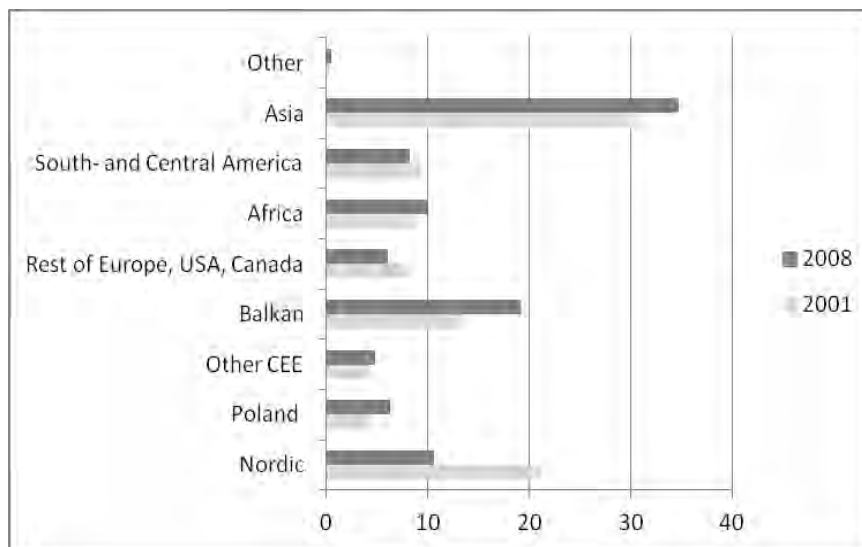
Source: ILO (2009).

One drawback with the statistics presented by the employer organization is that the data cannot be divided by gender, age or country of birth. This is however possible to do by using micro data from Statistics Sweden. To get an overview of the total foreign born representation in the temp agency sector and how it has changed over time, we present the share of foreign born in different groups as a percent of all immigrants in 2001 and 2008. Natives have in other words been excluded. As a comparison the same figures are presented for all workers who were employed in November these years, the temporary agency sector being excluded. Foreign born are defined based on country of birth and not citizenship. This also means that workers who were born in Sweden but whose parents were born in another country are not included since they are defined as natives according to their country of birth.

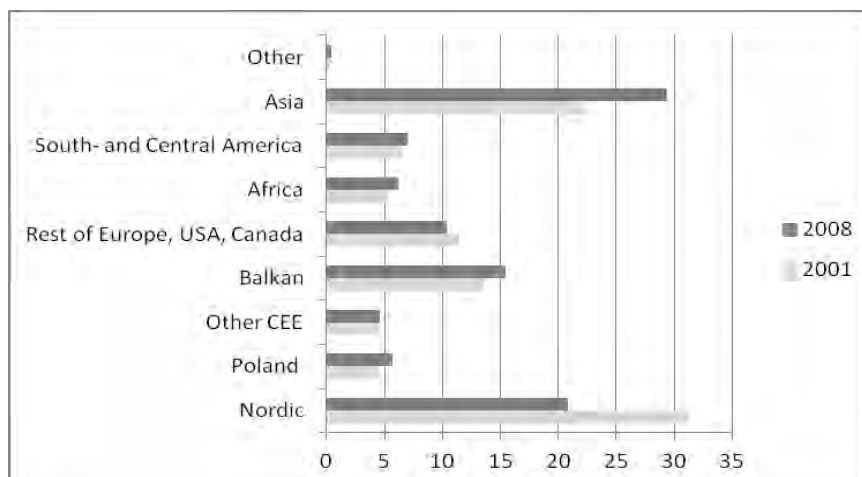
Polish workers and workers from other CEE countries are about as represented in the temp agency sector as they are on the whole labor market while immigrants from Asia and Africa are slightly overrepresented in the temp agency sector. Immigrants from the other Nordic countries and from Western Europe, USA, and Canada are underrepresented.

sented in the sector. As regards changes in immigrant representation between the two years, we see a slight increase in the share of Polish and other CEE workers. There is however nothing that suggests that workers from Central and Eastern European countries have become a dominant immigrant group in the temp agency sector after their countries have become members of the European Union.

Figure 3.6.2 Distribution over country/region of birth for temp agency workers who were employed in the sector in November (1) and for all workers, except temp agency workers, employed in November (2)



(1) Temp agency workers.



(2) All employed, except those employed in temp agencies.

In Figure 3.6.3 we give a more detailed picture of the number of temp agency workers born in Poland and other CEE countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Slovakia and Slovenia). Compared to other immigrant groups, these nationalities are not very well represented in the temp agency sector. The number of Polish foreign born working in the sector increased from 470 in 2002 to 1,300 in 2008 corresponding to an increase from 0.63 to 1.04% of the total temp agency workforce. The development over time seems to correspond very well to the general development of the sector. Since the large increase in the total number of temp agency coincides with Poland and most of the other countries in the CEE-group joining the EU, it is very difficult to say if EU-membership has had any effect on the number of immigrant workers in the temp agency sector.

The fact that foreign born from Poland and other CEE countries are not very well represented in the temp agency sector can also be seen from Figure 3.6.4, where the percentage of foreign born working in the temp agency sector as a share of all employed foreign born in that group is presented. In 2008, about 3.4% of all employed Polish foreign born workers received some income from the temp agency. For CEE foreign born this share was 3.8%. This can be compared with foreign born from the Balkan where 4.3% worked in the industry in 2008. Foreign born from this region arrived to Sweden mainly as refugees in the beginning of the 1990s and have been a group that in general is believed to have been performing quite well on the Swedish labor market in terms of employment. The fourth group is foreign born from Iran which is the largest immigrant group among temp agency workers, besides foreign born from the Nordic countries. In 2008, 5.4 of all employed foreign born in this group worked in the temp agency sector.

Figure 3.6.3 Number of temp agency workers between 2002 and 2008 born in Poland and other CEE countries (Estonia, Latvia, Lithuania, Bulgaria, Romania, Hungary, Slovakia, Slovenia, Czechoslovakia)

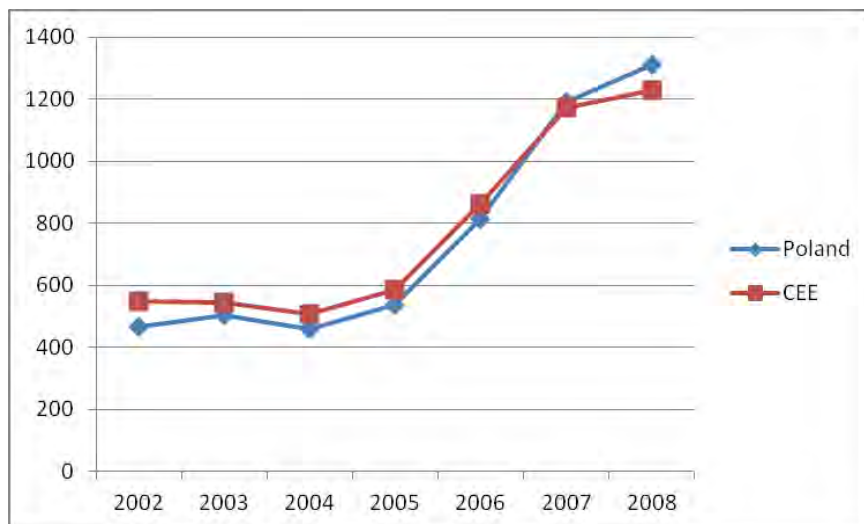
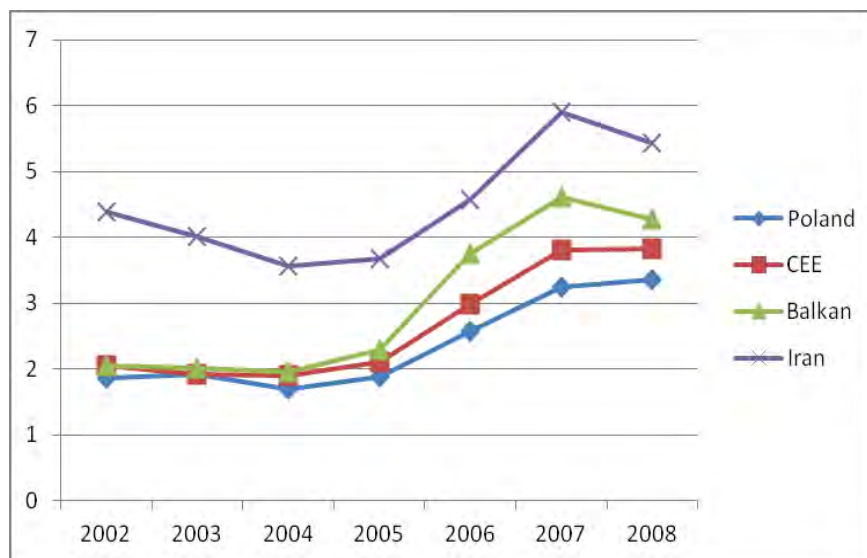


Figure 3.6.4 Temp agency work among selected groups of immigrants as the share of all employed immigrants in the group

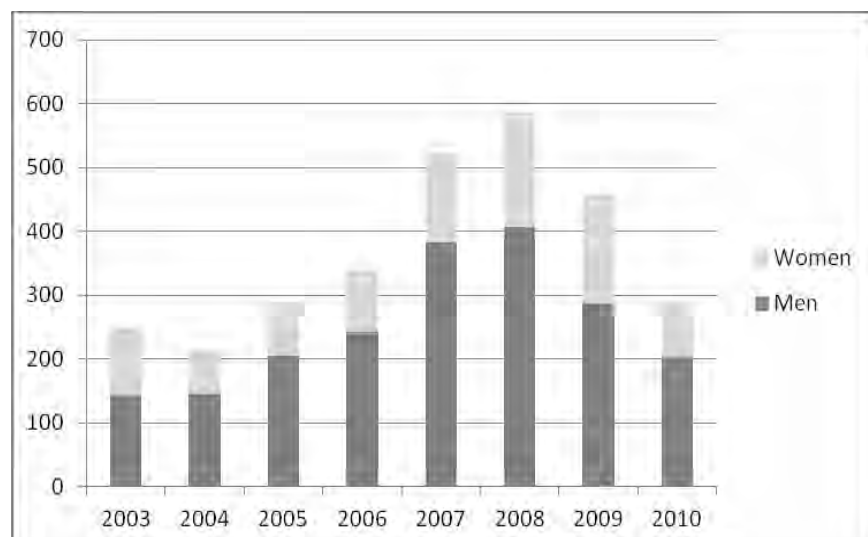


14.2.2 Temporary migrants in the temp agency sector

We have some data from Statistics Sweden over temporary migrants, workers that come to Sweden and work and pay taxes for 1 to 12 months. Workers coming for a period shorter than six months pay a special income tax which is lower than the normal tax rate. Immigrants who declare an intention to stay more than six months but less than one year pay the normal tax rate but receive a special id-number with the tax authorities. This is a unique number that resembles the Swedish personal number, a coordination number. These workers are not included in the population registers and by that do not have a Swedish personal number. The information we can get about them is therefore very limited and only originates from the tax authorities. The information we can retrieve is: gender, age, taxable income and some characteristics of the workplace, for example, industry and location which in our case is at the county level. For some individuals there is information on country of birth but for a large share this information is missing.

Figure 3.6.5 shows the number of temporary migrants working in the temp agency sector 2003–2010. In 2008 only about 600 temporary migrants worked in a Swedish temp agency. In the same year almost 46,000 temporary migrants worked and paid taxes in Sweden. These figures include migrants from all countries. Temporary migrants seldom work in temp agencies.

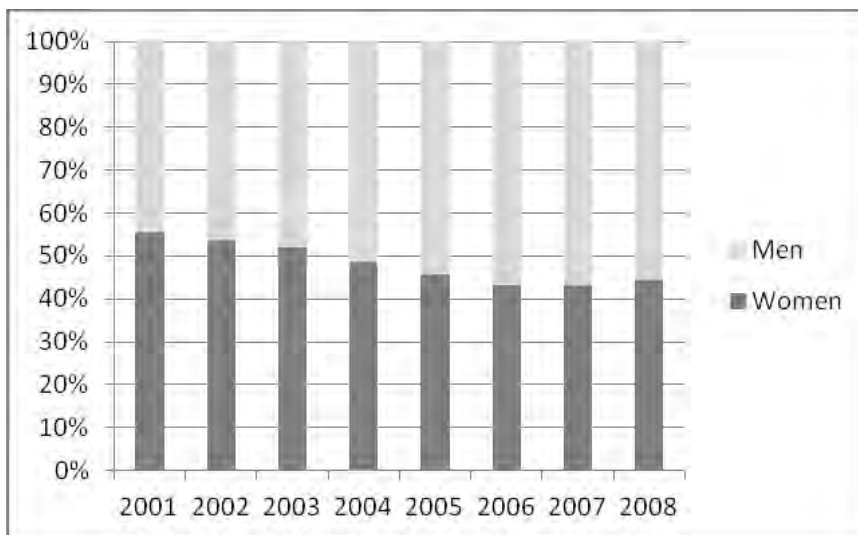
Figure 3.6.5 Number of temporary migrants who has received an income from a temp agency, 2003–2010



14.2.3 Changing composition of temporary agency workers

We have seen how the number of foreign born in different groups has developed over the period but now we study changes in the gender composition and the regional distribution of the industry. Changes of the industries of the client firms are presented and discussed in the next section. Changes in the gender composition among temp agency workers can to a large extent be related to changes in types of jobs for which client firms hire temp agency workers. Figure 3.6.6 shows that the share of women in the sector has decreased. In 2001, 55% were women and in 2008 44%.

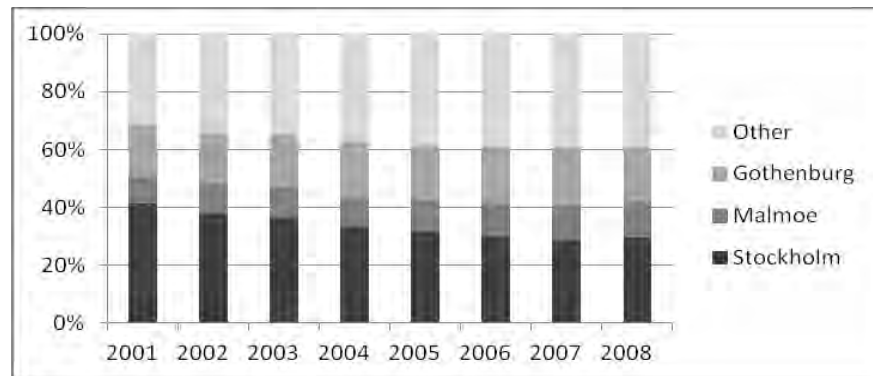
Figure 3.6.6 Gender composition among temp agency workers, 2001–2008



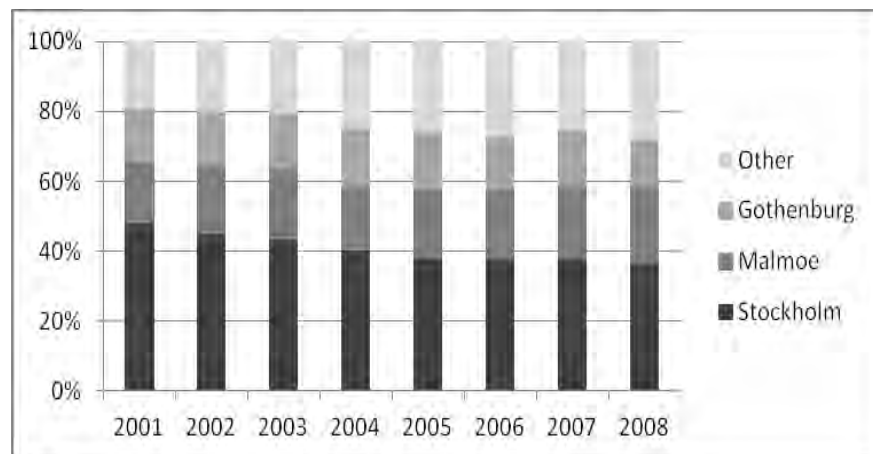
Another change in the structure of the temp agency sector is how it went from existing predominantly in the big city areas to be spread all over Sweden. In Figure 3.6.7 the distribution over four different geographical areas is presented for (1) all temp agency workers and (2) for all CEE foreign born working in the industry. In 2001, 41% of all workers lived in the Stockholm area and in 2008 this had decreased to approximately 30%. CEE foreign born were even more concentrated to this area in the beginning of the period. Almost 50% lived there in 2001 but in 2008 this share had decreased to 37%. The biggest difference between CEE foreign born and all workers in the industry is that a large share of CEE foreign born lives in the Malmö region (Skåne county), 22% compared to 13%. Looking at all employed CEE foreign born 23% lived in this region compared to 13% among all employed in 2008 which means that the

CEE foreign born in Skåne working in the temp agency sector are not overrepresented compared to all employed workers of this group in Skåne.

Figure 3.6.7 County of residence for temp agency workers, 2001–2008



(1) All temp agency workers.



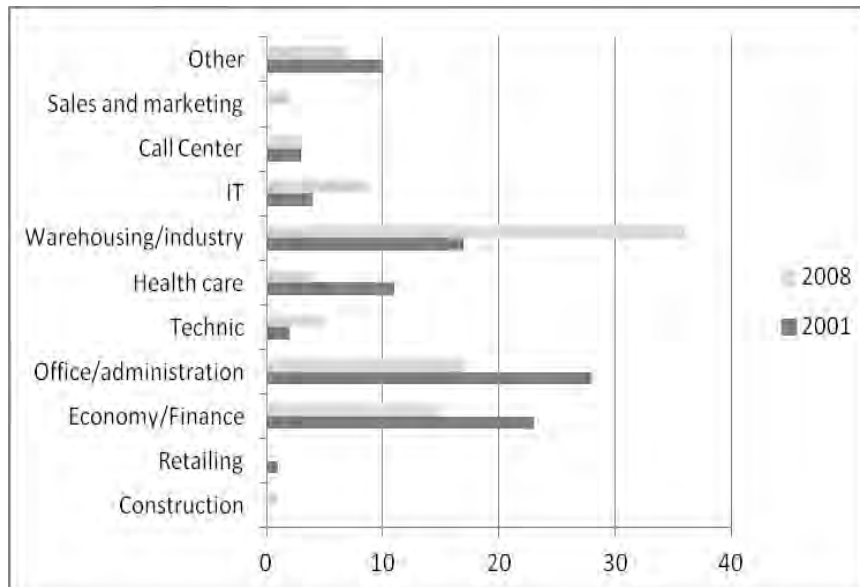
(2) All CEE immigrants in the temp agency sector.

14.2.4 Which industries hire temporary agency workers?

The employer organization for temporary agencies annually presents which sectors their employees are hired out to. We are also able to give a description of the types of occupations that temp agency workers have. By inspection of the statistics presented by the employer organization

for the years 2001–2008 we see that in the beginning of the period, office and clerical work was the occupational area in which the largest share of temp agency workers worked. Since 2004 warehouse and industry work had become the dominating occupational area.⁶² One explanation for the expansion of the industry into the manufacturing industry is that the employer organization signed a collective agreement with the labor unions in this area in 2001. For an overview of how the distribution of turnover across occupational areas has changed between 2001 and 2008, see Figure 3.6.8. The importance of the health sector has declined. Hiring out personnel to the construction sector has become more common over the period but is still of minor importance.

Figure 3.6.8 Distribution of turnover across occupational areas within the temp agency sector, 2001 and 2008

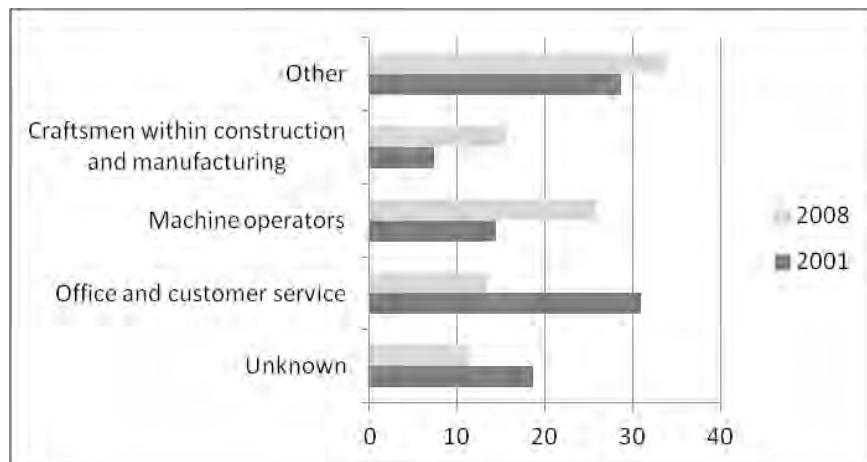


Source: Bemanningsföretagen.

⁶² From 2009 Bemanningsföretagen present turnover separately for “Warehousing and logistics” and “Industry and manufacturing” which makes the comparison to previous years a bit difficult. It however remains clear that these two categories combined is the largest occupational area also in 2009, 2010, and 2011.

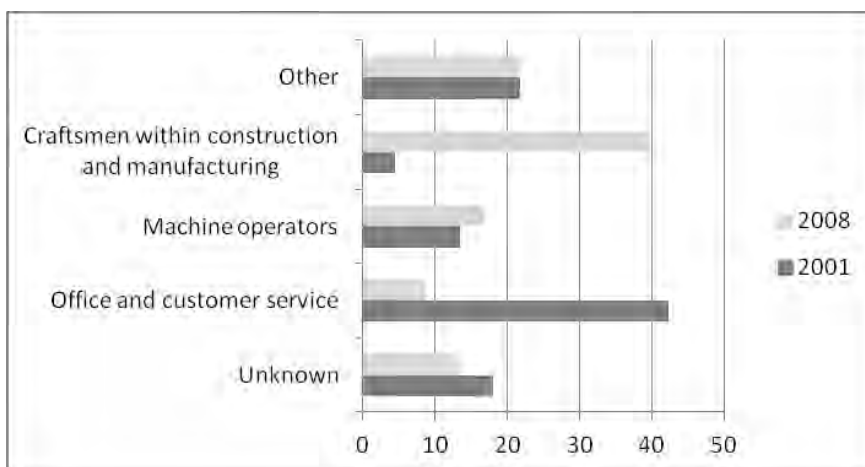
The occupational composition of temp agency workers⁶³ is shown in Figure 3.6.9 for (1) all male temp agency workers, (2) all male CEE temp agency workers, (3) all female temp agency workers, (4) and all female CEE temp agency workers. It should be noted that the number of CEE temp agency workers is small, particularly in 2001. Only about 110 men and 243 women from these countries worked in the temp agency industry that year. The general conclusion is the same as when looking at the statistics over turnover presented in Figure 3.6.8: office and customer service work has declined in relative importance both among men and women. Among men, craftsmen and machine operators have increased in relative importance while among women the share of temp agency workers who were employed at a position for which a shorter university education was required increases. Looking at the whole group of CEE foreign born, male foreign born share of temp agency workers working as craftsmen has increased from about 5% to almost 40% of all temps.

Figure 3.6.9 Changes in the occupational composition among (1) all male temp agency workers (2) male CEE workers (3) all female workers, and (4) all female CEE workers between 2001 and 2008

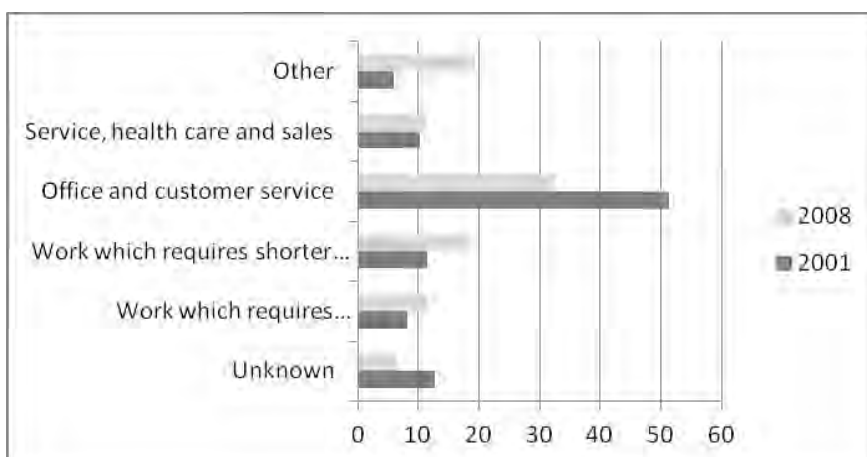


(1) All male temp agency workers.

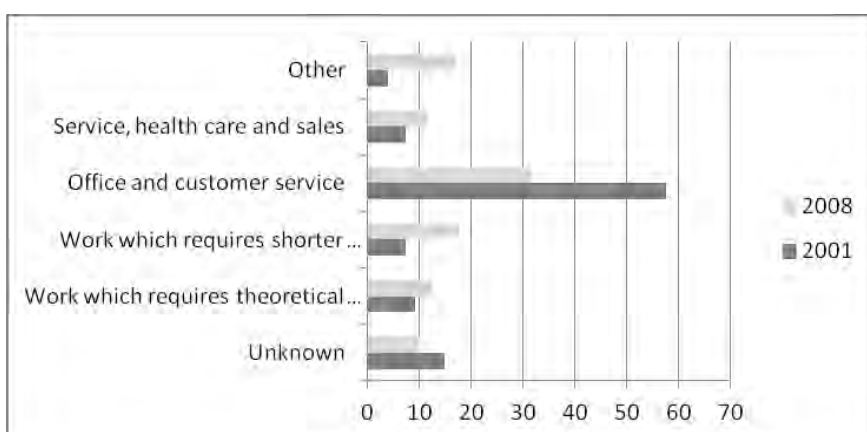
⁶³ To analyze the occupational composition we only use information about those who were employed in a temp agency in November each year. Workers who have received an income from a temp agency during the year but who were not employed at such a firm in November are possibly matched to another employer in November and the occupation held at this firm is the one reported in the registers.



(2) Male CEE workers.



(3) All female temp agency workers.



(4) Female CEE workers.

14.3 Migration and temporary agency work – evidence from an interview study

14.3.1 Cases and method

This section is based on interviews with people at employer organization, unions, temporary employment agencies and authorities. The interviews are in Petersson (2012). See also Petersson (2013).

14.3.2 The extent of recruitment of migrant workers among temporary agencies

Something that has been mentioned in almost all interviews is that labor migration, and thus the foreign recruitment, in the EU is difficult to estimate because of rule of “free movement” and that therefore immigration is not registered on arrival in Sweden. The estimation of labor migration from third countries to Sweden is much easier, as the Migration Board must approve applications for work permits from non-EEA citizens. But even non-EU/EEA labor migration is hard to estimate, since there are a number of exceptions. For example, people who come to Sweden to do an internship for three months, or specialists who will work there temporarily, do not have to apply for a work permit if the employer is an international group and the practice or work performed is at a Swedish company in the group. Overseas sellers and journalists who come to work temporarily are also exempt from the requirement to apply for a work permit. The number of work permits therefore underestimates international recruitment to Sweden also from non-EU/EEA countries. To this we may add that all who receive a work permit do not arrive, which is a source of overestimation.

The difficulties of estimating foreign recruitment makes it difficult to estimate the temporary employment agencies’ and recruitment companies’ role in foreign recruitment. Not only this sectors’ recruitment compared to the total recruitment is hard to estimate, but also the number of workers recruited by temporary employment agencies and recruitment firms. A method for estimating these flows is to let the companies themselves report how many they recruit to Sweden within the occupational sector they operate. This is also the method used in this part of the chapter. Such an approach, however, gives for several reasons not a comprehensive picture of the importance of the agencies in the recruitment process. This is partly because the definitions of employment and staffing agencies are somewhat unclear. Furthermore, there are companies

and contractors that partially recruit labor from abroad but do not call themselves temporary employment agencies.

The impression of the interviews is that recruitment from other European countries to Sweden in general is quite low. It also appears to be concentrated in certain specific occupational sectors: healthcare, construction, IT, agriculture, cleaning and hospitality industry. These sectors include a wide range of specialties and specializations. Workers who primarily are recruited to Sweden seem to be doctors in the health sector, wood and concrete workers in the construction industry, engineers and computer specialists in the IT sector and berry pickers and other seasonal workers in agriculture. Below are approximate estimates of recruitment in each sector except for the cleaning and hospitality industries.

As a physician must have a Swedish license to practice medicine, the register of the number of issued Swedish licenses serve as a rough estimate of how many people are recruited here to work as doctors. According to the National Board of Health in 2009 819 Swedish doctors' IDs permits were issued to people from EU/EEA. Of them, 416 persons had been educated in Denmark, Germany, Greece and Hungary (in order of magnitude). It is not possible to determine who has been recruited before arrival and who have found an employer after arrival. In recent years, young people who were born in Sweden who have trained as a doctor abroad, including Poland and Denmark, have started to return to Sweden. The Swedish Medical Association estimates that this group is likely to increase to 150–200 people per year. The employer association of municipalities and counties, SKL, believes that many foreign born doctors who are in Sweden today have probably not been recruited to Sweden but have obtained the residence permit after having come here as refugees during the 1980s. According to SKL about 200–250 doctors from non-EU/EEA countries arrive to Sweden every year. In 2009 253 work permits for non-EU/EEA doctors were granted. In 2011, according to the Immigration Service database 237 work permits were granted for "health and social care staff", 42 for other "health professionals", six for "nurses" and one for "midwives, nurses with special expertise". The Swedish Medical Association believes that employers generally choose to recruit doctors from other EU countries because the process of translating a European license to practice medicine is considerably simpler than a license from other countries.

Unlike in the health care sector a Swedish professional qualification is not required to practice their profession in the construction industry in Sweden; employers decide on worker credentials. The number of foreign-recruited construction workers cannot be estimated by the number

of issued Swedish professional certificates in the same way as the number of recruited doctors can be estimated by the number of permits issued for medical doctors. According to the unions, it is difficult to estimate how many foreign workers are recruited to Sweden every year. However, they believe that today there are around 20,000 recruited from other countries in the construction industry, about half work in Stockholm and about 5,000 in the Skåne region. In Gothenburg and northern Sweden there are also many foreign-recruited workers. Many of those recruited to Skåne commute to Denmark to work. Approximately 40–50% of the workforce for infrastructure projects in Stockholm is according to the union posted workers. Many of crew members are posted by a foreign company. The union argues that there are many workers who they never see, for example, people who do work for private clients in their homes.

According to the Trade Union of Engineers, about 2,000 work permits are granted annually in the IT sector. According to the Immigration Service database 2,551 work permits have the same year been granted for “computer specialists”. This is the second largest occupational group in the year, after workers in the category of “helpers in agriculture, horticulture, forestry and fishing.” It has also been granted 575 work permits to “civil engineers, architects, and others” and 296 permits to “engineers and technicians.” It is reasonable to assume that most of the work permits are granted to Indian computer specialists. 2,100 work permits were granted to persons of Indian nationality. Immigration Service figures give an underestimate of the actual number of migrant workers who come to Sweden to work in the IT sector. This is because many computer scientists and engineers continue to work in a company in the same international group and are exempt from the rule that non-EU/EEA nationals must apply for work permits. Foreign recruitment in EU/EEA is according to the union very hard to estimate. Bemanningsföretagen believes that the shortage of engineers in Sweden may lead to future recruitment from for example Germany.

On 5 August 2011, the Immigration Service Work Permit Unit had granted 2,500 work permits for berry picking. This is a decrease of about half the number of permits in 2010. The decrease depends according the Unit on more stringent rules concerning the working conditions that employers from this year have to guarantee their workers. Temporary agencies have found it difficult to meet the requirement of “guaranteed salary”. One person at one of the berry picking companies believes that still some non-European citizens will come to Sweden to pick berries on a tourist visa. According to the Immigration Service database 2,821 work permits

were granted in the professional category of “helpers in agriculture, horticulture, forestry and fishing.” According to the media debate and LO most berry pickers are recruited from Thailand and China. However, it is difficult to know the origin of labor migrants and when they will come as they only work for a short period. Furthermore, according to LO some Romanian and Bulgarian workers try to establish themselves. It makes the estimation of the actual number of foreign recruits to the berry picking industry in Sweden difficult to make.

According to Bemanningsföretagen there was not a sudden increase in labor migration following the EU enlargement in 2004 or 2007, but the demand for labor is governing the companies’ recruitment patterns. If there is a shortage of labor within a sector in Sweden one turns to other countries to find workers, but if the required work force is in the country they do not do it, irrespective if the rules for foreign recruitment are simplified or not.

SKL says that the recruitment of doctors from Poland started already before 2004 and stresses that it is primarily the economic situation of the Swedish county councils that governs the scale of foreign recruitment and not the simplicity of the recruitment process. Moreover it is very difficult to assess whether the recruitment of doctors has increased with EU enlargement. Although more may have acquired permit to work as a doctor after 2004, it is not certain that that person is actually employed in Sweden. The CEO of one of companies argues that Poland’s accession to the EU has simplified the recruitment of Polish doctors, but the recruitment has not increased.

Foreign recruitment in the IT industry had according to the union not any noticeable effect, because it recruits engineers from outside EU/EEA. None of the interviewed thought that foreign recruitment to the berry picking industry had been affected by the enlargement. This is reasonable in that it recruits berry pickers, mostly from China and Thailand but the Romanian and Bulgarian workers entering the berry picking industry had perhaps not been possible if the countries had not joined the EU in 2007. SKL says that liberalization has had no discernible effect on the size of recruitment in the healthcare sector partly because the economic crisis dampening effect on labor migration. The union also believes that the effect was small.

The construction workers’ union says that foreign recruitment in the construction industry from non-EU/EES countries increased substantially after the liberalization of labor migration from 15 December 2008. In 2007 and 2008 about twenty persons were recruited from such countries to Sweden, including the Stockholm area. On 23 August 2011, about 500

people had been recruited from third countries to Sweden, with 420 people enrolled in the Stockholm area. Most of the applications for work permits have come from Serbia, Uzbekistan, Bolivia and Bosnia Herzegovina.

The liberalization affected according to LO overseas recruitment mainly in the hospitality industry, the cleaning industry and the IT-industry. Bemanningsföretagen believes that the number recruited likely increased in the IT-industry after 2008. The union does not agree and argues instead that it was possible to identify an increase already around 2007 and that the predicted doubling of recruitment from non-European countries is already done.

14.3.3 Recruitment processes in practice

The country where individuals are recruited is strongly linked to the sector in which they will be employed. The interviews indicate that physicians and other health professionals are recruited mainly from Poland, but also from Hungary, Slovakia and the Czech Republic. Some recruits have also been made in Germany until 2009. According to SKL the German Employment Office wanted then to terminate the cooperation with the Swedish County Councils, as the nursing staff was needed at home. Even in the construction sector most recruitment seems to be from Poland, although some recruitment occurs in Latvia. In the IT sector the recruited workforce is, primarily from India and China. According to the union the mobility of engineers in Europe is hard to estimate, so recruitment from EU/EEA countries could be large. In agriculture most recruitment has been made from non-EU/EEA countries, mainly Thailand and China. European countries have, as mentioned in the previous section, in 2011 sought to establish activities in the industry, as a result of stricter regulations on Thai and Chinese staffing company's business.

The reason for the strong correlation between recruitment country and occupational sector appears to largely be about the benefits that established recruitment patterns provide. The longer an employer has recruited labor from a given country, the deeper is the contact between the employer and its partners in the recruiting country. A Polish recruitment firm that helps a Swedish staffing company with the recruitment of Polish construction workers says that Swedish employers stick to the recruitment of construction workers from European countries. They also believe that this is the reason why the liberalization of labor migration only has had a small effect in the construction sector. Furthermore, according to a staffing company that specialize in the construction sector, the employers like to work with the Poles because they have learned the way to work

here and the employers appreciate their way to relate with the employer. The Construction worker union and a Polish company mention “friend recruitment” being important in both construction and the care sector. Such recruitment will be reasonably efficient and more important the stronger the relationship between recruitment country and occupational sector becomes. The relationship between occupational sector and recruitment country working in the IT sector have more to do with the industry structure. Indian consulting companies often choose to locate their operations in Sweden and the Swedish international companies often choose to locate their production in India.

In 2000, SKL initiated in collaboration with the medical chamber in Hamburg “recruitment travels” in order to find especially general practitioners and doctors in psychiatry that could not be found within the country. Recruiting trips were made to Poland, Slovenia, Czech Republic, Germany and Hungary. The county councils had to before the recruiting trips to express their interest to state the demand for health professionals in their particular county. Demand for labor was announced, then in German newspapers, which according to SKL was enough to find the requested medical staff. Project manager for AF (Labor Market Administration) and SKL then arranged recruitment days in the country, where the interested doctors could come. Recruitment Days began with a presentation of how the Swedish labor market works, which was followed by personal stories of doctors who previously had been enrolled in Sweden. SKL argues that the subsequent process functioned as a regular recruitment process in Sweden, where interviews were conducted with each one and then a letter of appointment was given

Another strategy is the use of recruitment agencies, which act as partners in the recruiting country. A Polish recruitment agency helping the Swedish County Councils through a Swedish parent company finds doctors to recruit. The Swedish parent company has direct contact with the Swedish county councils. After the county has made contact with that company and announced their labor demand it is matched with the Polish doctors’ CVs from the Polish company’s database. After the matching process, the Polish doctors undergo stress tests, aptitude tests and tests of their language learning ability, individual interviews are made, either in Poland or Sweden. After that, the doctors who have got a job undergo a course in Swedish in about 27 weeks in Sweden. The Polish company also helps with the organization of the move to Sweden. SKL says that when the county councils are recruiting physicians themselves to Sweden they make it at the EURES website. Individual counties

have also used the example Spanish temporary employment agencies to assist in the recruitment.

Not only in the health sector have Swedish employers used their partners to get help to find the required labor force. This also occurs in the construction industry. One Swedish staffing company, specializing in the construction industry, has since 2010 been using a Polish recruitment company to help with the local announcement after construction workers. Like SKL the Polish company says that the recruitment of labor has been a classic recruitment process. The applicant's qualifications and criminal records are reviewed, after which the most qualified are interviewed. Some recruits are also made via the company's personal contacts. The company says that it is quite common that Swedish employers in the construction sector make use of partners in the countries from which to recruit labor. However, it is probably not as common that cooperation is based on the Swedish labor market model and that the foreign-recruited working conditions are in accordance with Swedish collective agreements, as it is in this case. Unlike the health care sector the use of temporary employment agencies is common in construction, often foreign ones. In addition, the construction union says that there are construction companies that are members of the Swedish Construction Federation engaged in a form of agency business, without in the formal sense being a temporary employment agency.

The interviews at LO and the Migration Board give the impression that most berry pickers are employed by foreign, mainly Thai and Chinese, recruitment agencies, and that they usually are posted to Sweden. After the human tragedy that was portrayed in the newspapers in the summer of 2010, the Immigration Service tightened the requirements for the companies recruiting berry pickers from countries like Thailand and China to Sweden. The Migration Authority does not allow a foreign agency to be an employer only on the application form; the employer must have a branch in Sweden and the employer must guarantee the workers a certain wage. After the introduction of stricter rules, the number of non-EU/EES workers declined in berry picking industry. Many of the companies could not guarantee the salary.

14.3.4 The working conditions of the foreign-recruited workers

The reasons for willingness to leave the homeland to start working in Sweden seem to be relatively independent of the professional sector which is recruiting. For people who are recruited to the healthcare sector, construction industry and berry picking industry make a comparison between working at home and in Sweden as a basis for the decision. It should here be emphasized that although the foreign recruits in these sectors seem to have in common that their working conditions are somehow better in Sweden than in their home countries, there are significant differences between the working conditions for a Thai berry-picker and a Polish doctor in Sweden.

Both SKL and the representative of a recruitment company think that the pay difference between Swedish and Polish doctors has affected the Polish doctors' decision to move here. However "soft values" have served as perhaps even stronger "pull factors" such as the ability to combine work and family due to the eight-hour day and the high quality of day-care. The Swedish countryside and the opportunity to work in teams has also been mentioned as important factors. Both SKL and the union believe that the hierarchical system in the healthcare sector in Poland has acted as a "push factor".

The construction union believes that there are companies in the construction industry which base their activities on the foreign-recruited workers' vulnerability and the fact that their working conditions are worse in their home countries. For engineers, according the Union of Swedish Engineers, it is a natural part of working life to work a certain period in another country. It is mainly the structure of the industry which is the basis for the decision to move to Sweden and not the desire to improve their working conditions. In addition, foreign-recruited engineers in Sweden, often have work experience from other countries.

Even within the berry picking industry there are indications that employers base their activities on the foreign-worker vulnerability. Thai workers are promised that they for a few months of work get a pay which represent a full year's salary in Thailand. Once in Sweden, however, they are forced to spend the night in tents or cars in the woods or in the morning return to work. It is reasonable to assume that salary is the only reason that the Thai labor force is willing to travel to Sweden to work. The construction union argues that foreign-recruited construction workers employed by temporary work agencies very often do not get the wages they are entitled under their employment contract, partly because deductions for journeys to Sweden are made from their contrac-

tual wages. The construction union says that the foreign recruits rarely know about working conditions under the agreements until they are actually in Sweden, and even if they are aware of the contractual working conditions, they often sign another agreement with the condition that they should not tell union.

The union and media discussion of unacceptable working conditions is centered on the posted berry pickers. Although the requirement for “guaranteed salary” was introduced, the union representative believes that Thai berry-pickers sign two agreements, the other of the agreement meant that the berry pickers abstain from the guaranteed salary and argues that even if the guaranteed salary of about 16,000 per month is actually paid, it is not sufficient after agencies fees for the trip to Sweden are paid. Berry pickers have also been forced to rent cars in such poor condition that it involved a security risk to run them. Employers have often not informed pickers on Swedish traffic rules. It appears that the differences between workers’ contractual and actual salary is more obvious in the construction and berry picking industries, than in the IT and healthcare sectors. This difference seems to be greater in those occupational sectors where the demand for academic qualifications is low and where the wage level is low also for natives. It is also in the construction and berry picking industries that foreign workers appear to be most prevalent.

It is reasonable to assume that there is a difference in the working conditions as well as between workers employed by authorized and unauthorized temporary employment agencies in Sweden. According to Bemanningsföretagen the 35 largest member companies stand for 85% of the total industry turnover. Membership in Bemanningsföretagen means that companies must meet twelve authorization requirements, for example that one must have been operating the business for twelve months, and that one must abide by the collective agreement applicable in their sector. The activities of the members companies are examined every year. A membership and an authorization may only be made after the staffing company in question has itself requested this. Some construction companies chose, after the mandatory authorization was introduced in 2009, to not apply for authorization. Furthermore companies in the food industry failed to prove that their partners were sufficiently serious to be granted an authorization. Against this background, it is reasonable to assume that workers who are employed by the authorized agencies generally have better working conditions than workers employed by non-authorized agencies.

According to all persons interviewed, the only reason for recruiting workers from abroad using a temporary employment agency instead of

recruiting in Sweden is that the required competence is not available in Sweden. A large temporary agency company recruited Polish construction workers to meet the demand for such workers. The choice between recruiting domestically or from abroad is according to the company completely "cost neutral". A representative of a recruitment company believes that foreign recruitment in the construction industry will increase in the future for this very reason. Another recruitment company believes that the lack of particular types of specialist doctor in Sweden has meant that the county councils have had to turn to foreign countries, in this case Poland. Only one company in the construction sector indicated cost advantages of recruiting foreign workers.

14.4 Summary and conclusions

In Sweden, the temp agency sector seems to play only a minor role in recruiting and employing workers from Poland and other Central and Eastern European countries. Other immigrant groups are much better represented in the industry. This also seems to be the case regarding temporary workers (staying less than one year in Sweden). In this way, Sweden differs from both Norway and Denmark where CEE foreign born constitute a much larger proportion of the total workforce employed in the sector.

Another difference between the Nordic countries is that hiring temp agency workers to the construction industry appears to be less common in Sweden than in for example Norway. The statistics on turnover upon which this conclusion is based cover only temp agencies that are members of the employer organization and not all temp agencies. It is possible that we underestimate the importance of the construction sector as a customer for temp agencies in Sweden. The labor union in the construction sector has traditionally been a very powerful organization and it is likely that it has had a say about to what extent construction firms should hire workers from temp agencies. One caveat to the conclusion about Sweden is that it is limited to evidence from Swedish temp agencies and our knowledge about migrant workers coming to Sweden via foreign temp agencies and posted workers is still scarce due to lack of reliable data.

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15. The rise and fall of temporary staffing agencies in Iceland

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15.1 Introduction

Temporary staffing agency – TSA- has a short but intense history in Iceland and only made a significant appearance in the new millennium.⁶⁴ However, the entrance of temporary staffing into the Icelandic labor market was characterized by sudden very noisy and sharp increase and almost as sudden and sharp but quiet decline. Moreover, the development of temporary staffing is marked by severe conflicts that reached the highest levels of political, economic and social power in the country. At the core of these conflicts were disputes over the need for regulatory framework embracing the operations of temporary staffing agencies on the one hand and allegations of social dumping and other workers abuse on the other.

The development of the temporary staffing industry in Iceland differs radically from both the other Nordic countries and other countries in the Western world where its operations have steadily risen over the last decades (Coe *et al.*, 2009 Eurofound 2008; Mitlacher 2007; Neugart and Storrie 2002). Notwithstanding their gradual increase the share of temporary staffing and temporary staffing agencies varies however from country to country, from being under 2% of the total workforce to 4% at the highest in the industrial countries in the West (Knox 2010).

The tumultuous shifts in the development of temporary staffing in Iceland go hand in hand with the economic expansion that began in early 2003 and ended abruptly with a near national bankruptcy in the fall of

⁶⁴ Temporary staffing agency TSA, a.k.a. temporary work agency or TWA.

2008.⁶⁵ The economic boom generated an unprecedented need for workers which was met by international migrants many of whom came from Poland and other new member states in Central and Eastern Europe (CEE). The workers coming to Iceland were part of the great flow of workers streaming to the expanding economies in the West, such as the UK, Ireland and the Netherlands, as well as to some of the other Nordic countries (Black *et al.* 2010 Dølvik & Eldring 2008; Krings *et al.* 2011). In Iceland however, the boom turned into a bust when the financial sector and the construction sector spun out of control causing severe ramifications not only for the national economy but Icelandic society as a whole (Benediktsdóttir *et al.* 2011). The crisis brought about unemployment higher than ever seen in the country before where Poles have been hit the hardest. The national average of unemployment went from less than 2% before the crisis to 8% in 2009 when it peaked and remained around 6–7% to date (2012) whereas unemployment amongst Poles jumped from 1.4% in 2007 to 16% in 2009 and stood at 20% in 2011 (Vinnuálastofnun 2012).

During the economic expansion era, the physical manifestation of the boom could be seen in dozens of building cranes adorning the skyline all over the greater Reykjavík area and nearby regions during that time. Large portions of the manpower needed for these building projects came from abroad. During the height of the expansion on estimate close to 40% of all workers within the construction industry were foreign migrants. Many of those workers were hired through temporary staffing agencies whose operations were to a large extent confined to the construction sector. Hence, temporary staffing workers in Iceland during this period were exclusively foreign migrants and mostly males. Polish workers outnumbered other nationalities among the temporary employees in Iceland in that period. Within the construction sector the state sponsored construction of a hydroelectric power plant in eastern Iceland called *Kárahnjúkar* proved to be a catalyst for economic expansion in the country. Moreover, this project played a key role in the development of TSA and the conflict over social dumping. Forms of abuse, not seen in the Icelandic labor market before, were exposed at the work site causing fierce conflicts where the trade unions fought hard against al-

⁶⁵ Before the economic expansion began, the use of TSAs' was not entirely unknown. It had been practiced for a few years to a small degree in the health care sector in nursing, in the aviation business, recruiting pilots and engineers and in couple of instances welders had been recruited for specific building projects. On these occasions the workers were recruited from abroad to meet temporary labor shortages.

leged social dumping and called for legal framework on the operations of temporary staffing agencies. Similar exploitation and abuse was to be detected later with TSA's operating within the construction in industry Reykjavik and other areas. The conflict over TSA's lasted several years causing tremendous controversy that reached the highest levels of political power on many occasions and rendered lawsuits and concomitant litigations between struggling parties, some of which lasted for years. The disputed construction project of *Kárahnjúkar* and the concomitant massive arrival of migrant workers recruited by temporary staffing agencies, figures highly into our analysis as it was critical for subsequent development of temporary staffing agencies in the country.

Labour market research is a relatively underdeveloped field in Iceland, including the major changes brought about in recent years with the increased presence of migrant workers. Hence, research analysis on the operations of temporary staffing agencies is also largely an uncharted territory. This paper will explore that territory and examine the development of temporary staffing in Iceland in order to clarify why it has differed so radically from the neighboring countries. Why did their operations cause such heated disputes, what caused them and who were the disputing parties? Moreover, how were the disputes solved and what impact did that have on the consequent development of temporary staffing? Last but not least, how and in what way did these disputes affect foreign migrant workers on the Icelandic labour market?

The structure of the paper is as follows, after the introduction is a short description of methodology and data, followed by a briefing on the main characteristics of the Icelandic labor market in the section, *Highly regulated labour market, yet no rules on TSA's*. Next we turn to *The conflict over TSA and social dumping begins at Kárahnjúkar hydroelectric power plant*, where we explore the intense fight over the use and abuse of temporary workers that broke out at the work site. Here we shed light on the fighting parties in the highly inflammable and political conflict – the trade unions, supported by politicians from the left on the one hand, and the main contractor *Impregilio*, supported by the Confederation of Employers (SA) and the Icelandic government on the other. The practice of social dumping by TSA's at Kárahnjúkar brought to light the absence of regulatory framework for the operations of TSA's making it very difficult for both legal authorities and the trade unions to have the TSA's follow through with responses to the complaints. The lack of regulation became a bone of contention between the struggling parties as we discuss in *From no rules towards a regulatory framework on temporary staffing agencies and social dumping*. From the fight over TSA at Ká-

rahnjúkar we follow their spread in other parts of the country, and highlight the concomitant practice of social dumping amongst migrant workers in the section *Social dumping and Gold Rush: two sides of the same coin?* In spite of tremendous resistance by the employers association and the government towards regulatory framework, the trade unions went ahead with a campaign called *Equal rights – No Exception – Jendo Prawo – zadnego oszustwa* where workers and employers were informed about their rights and duties. Slowly but surely the tides turned and the Confederation of Employers and the government changed their stance, resulting in an implementation of an act regulating the operations temporary staffing agencies, in effect from 1 February 2006 which we discuss in the section *From obscurity to light*. The paper concludes with a summary from the previous discussion.

15.2 Methods and data

The paper is based on a qualitative explorative and descriptive study of the short but intense history of TSAs in Iceland. Around eight structured interviews, lasting from one up to three hours, were conducted with major actors within the labor unions, the Confederation of Employers (SA), the Directorate of Labor, and the one and only client company currently using a temporary staffing agency. In spite of repeated attempts it remained impossible to track down a representative from the only TSA still active. Likewise, was it impossible to reach managers or owners of formerly active temporary staffing agencies. Sources for further data were the Gazette of the Icelandic Parliament (Althing) newspaper articles, reports and other publications from ministries, the unions, The Directorate of Labour, Landsvirkjun and more.

15.3 Highly regulated labour market, yet no rules on TSA's

The Icelandic labor market shares many of the same characteristics commonly found in the Nordic countries. It is for one thing highly organized both among employees in trade unions and employers in national federations. The Federation of Labor (ASÍ) is the equivalent of LO the confederation of labor unions in the other Nordic countries. "Overall, a great potential for centralised cohesion exists in the Icelandic labour market, even though the bargaining power resides in individual sectoral

and local unions. When the organisations arrive at a collective agreement with national application, which is common, these agreements are based on a common understanding of shared interests in governing the labour market with as little interference from the state as possible." (Andersen *et al.* 2011:34). As is the case in the other Nordic countries, minimal wages are not bound by law but minimum-wage regulations are in effect. Iceland, like the other Nordic countries uses a form on minimum wage *collectively agreed minimum wages* which is "negotiated between the parties to a collective agreement to reflect the employers' minimum ability to pay, but can be supplemented with local rates (Eldring and Alsos 2012:8). In Iceland, the importance is such that honoring of collective agreement on minimum wages for all workers regardless of nationality is ensured by law, in effect since 1980 (Alþingi 1980). In spite of these laws, there is ample room for flexibility that historically has characterized collective agreement where the lowest rates have only been used as a point of reference. In actuality *de facto* wages known as "market wages," are based upon qualifications and ability of the worker and are usually considerably higher than minimum wages, (with various kinds of perks and bonuses figured in) (Andersen *et al.* 2010; Gunnarsson 2005). Another characteristic of the Icelandic labour market is the high level of unionization which not only exceeds the relatively high participation in the other Nordic countries but places Iceland on top of all OECD countries, with 85% union density in 2008 (OECD 2009). Similarly, employment participation has ranked amongst the highest in the OECD countries. In 2010 activity rates were 81% and percentage of active workers was 75% (Statistics Iceland. 2011:3).

In the literature on temporary agency work it has been pointed out that "the significance of national settings is related to the unique regulatory frameworks within nation states" moreover, "research suggests that the interface between regulation at the labour market and TWA industry levels affects the size, internal structure and rates of growth of the TWA industry as well as its implications for both the broader labour market and the economy" (Knox 2010:450). Peck and Theodore have also argued that temporary staffing industry "its structure and development must be understood in terms of the complex renegotiation of employment relations and regulations on a country-by country basis" (2002:145). Temporary agency work in Europe is on the whole, "largely highly regulated industry involving a mix of legislation, collective labour agreements and instruments of self-regulation at national level" (Eurofound 2008:44). Moreover, due to different traditions of labor market regulation, and different policy preferences concerning the balance be-

tween employment flexibility and security amongst the member states, agency work is also heterogeneously regulated across Europe. The Nordic countries, including Iceland had on the contrary few restrictions or regulations on temporary agency work (Kvasincka 2005 quoted in Alsos 2013). Mitlacher (2007) has also stressed the importance of regulations in determining whether employers use temporary agency worker or not. For example, strict dismissal protection rules can increase the use of TSA in order to avoid such rules. In Iceland dismissal protection rules are relatively lenient.

Notwithstanding the highly regulated labour market in Iceland, it came clear at the time when the temporary staffing agencies (TSA) extended their scope to reach the construction industry, that neither a requirement for registration nor any legal framework existed, leaving their operations in obscurity and the authorities with few legal means to regulate their actions. Temporary staffing agencies whether Icelandic or based in countries outside of Iceland had no legal obligation to register in the country. As no registration was mandatory for their operation, data on their number, scope and manpower employed, is non-existent before an act regulating their undertaking came into effect in early 2006.

Workers recruited from countries within the European Union (EU) were exempt from applying for work permits but citizens from the new member states accessed in 2004 were obliged to apply for a work permit until May 2006.⁶⁶ Despite the aforementioned legislation from 1980 ensuring the honoring of a collective agreement on minimum wages for all workers regardless of nationality, social dumping and grave violations of agreements were not prevented (Alþingi 1980; ASÍ, SA *et al.* 2004a).

15.4 The conflict over TSA and social dumping begins at Kárahnjúkar hydroelectric power plant

In an interview for this research one interviewee – a high ranking executive within the Icelandic administration that deals with the labor market - made a rather sarcastic remark relating to the sudden and intense conflict over temporary staffing agencies in Iceland. “The game was called on,” he said, “but once it started nobody knew what rules to play by and it seemed as if rules were being made as the game proceeded.”

⁶⁶ Iceland did not open its borders towards free flow of labor from the new EU member states until 1 May 2006.

The start of the “game” and the background of the conflicts over the TSAs in Iceland can be located in time and space. As mentioned, the conflict is intertwined with another hotly debated dispute that rose over the construction of a hydroelectric power plant in eastern Iceland at *Kárahnjúkar*. The plant was designed to produce 4,600 GWh for the *Alcoa Fjarðarál* aluminum smelter in Reyðarfjörður some 75 KM away to the east. Due to its enormous scope, the construction of the Kárahnjúkar power plant was dubbed “the largest construction project in the history of Iceland.” Preparation for the power plant started in 1999, construction work began in 2002 and the plant formally opened in November 2007. A cause for heated public disputes that lasted for years, the Kárahnjúkar project was highly criticized mainly on two but entirely different levels: firstly, over its impact upon the natural environment and secondly, because of the use and abuse of foreign migrant workers. The loud and bitter criticism relating to environmental concerns set aside, the abuse of foreign workers was no less fierce.

Allegations of social dumping and other forms of workers abuse, appeared first among temporary workers at the Kárahnjúkar plant later to be detected elsewhere. These allegations severely tarnished the TSA’s reputation in the country. The term temporary staffing agency in Icelandic “starfsmannaleiga” became highly associated with exploitation, social dumping and abuse, in particular in relation to foreign migrant workers.

The Kárahnjúkar project was funded by the state owned power company Landsvirkjun, but separate subprojects were carried out by individual contractors. In December 2002 the Italian contractor *Impregilo* made a successful bid for construction of dams and headrace tunnels in fact the largest part of construction work of the power plant. Impregilo’s bid was close to one fifth lower than original Landsvirkjun plans had called for. Shortly after negotiations with Impregilo started, the alleged tainted reputation of the company began appearing in the Icelandic media – the company was suspected of having paid bribes related to dam projects in Africa and South America – allegations Impregilo steadfastly denied (Morgunblaðið; 2003a; 2003c). While the Prime Minister was focused on the long term economic gains of the project, critics within the Parliament were concerned that Impregilo was unreliable, that their low bidding was usually followed by final costs far exceeding the original budget, that the company was known for scandals and finally that Impregilo had all intentions to recruit most of the labor needed from abroad which went against the original plan of increased employment opportunities in the region (Morgunblaðið 2002;2003b).

Road construction and other preparation work conducted by Icelandic contractors with Icelandic workers begun in late 2002 and Impregilo started their work in April 2003 stating the company planned to hire several hundred Icelandic workers in due course (Morgunblaðið 2003d). In reality only a fraction of Impregilo's workers were Icelandic, all the others were foreign migrants. Most plans made for the construction of the Kárahnjúkar power plant and the aluminum smelter in Reyðarfjörður had seriously underestimated the need of foreign labor predicting it to be from less than twenty percent and up to thirty percent at the highest. The reality turned out to be very different as most of the workers hired for the projects were foreign laborers who came to work temporarily and exclusively at these two worksites (Jóhannesson 2008). Data on the absolute number of foreign workers working at the Kárahnjúkar site is hard to come by. The main reason for this lack of information can be explained by the fact that temporary staffing agencies were exempt from registration in Iceland (Jóhannesson 2010).

At the beginning Impregilo hired Icelanders to some extent but mostly Portuguese migrant workers through a Portuguese temporary staffing agency along with other migrant workers. The share of foreign workers at Kárahnjúkar steadily increased in the period, starting at 65% in the spring of 2003 and going up to 92% on estimate in July 2007 when the project was nearing its end. The recruitment of foreign workers was in line with practices in the booming construction industry that occurred in many European countries at the same time (Fellini *et al.*, 2007; Krings *et al.* 2011). Decisions to recruit foreign workers rather than indigenous ones is as Fellini *et al.*, have pointed out usually guided by two main yet interconnected aims i.e. coping with labor shortages and minimizing labour cost (2007). In the beginning most of the foreign workers were Europeans but their number decreased as the project went on, and they were replaced by Chinese workers who came in large numbers. In the summer of 2007 on estimate nine out of every ten worker on site was a foreign migrant. At the height of the construction of the aluminum smelter in Reyðarfjörður 77% of the workers were Polish and other migrant workers were 15% and Icelanders 8%. The main contractor of the construction of the aluminum smelter, the American company *Bechtel*, conducted a clear but very different recruitment policy – based on safety reasons – which was to hire only workers from Iceland, Poland and/or English speaking workers (Jóhannesson 2008; 2010). Bechtel hired their workers directly, whereas Impregilo used temporary staffing agencies to recruit their workers.

For the Kárahnjúkar project a specific collective agreement was put into effect between the partners involved. On behalf of companies the negotiators were the state run power plant company Landsvirkjun and The Confederation of Icelandic Employers (SA). On behalf of the workers were the big trade unions and their confederations, The Icelandic Confederation of Labour (ASÍ), The National Federation of General and Special workers (Starfsgreinasambandið), The Union of Icelandic Electrical Workers (Rafiðnaðarsambandið and The National Association of Craftsmen (Samiðn). The contract usually referred to as “Virkjunarsamningur” or “Power Plant Contract” was in effect until 1 February 2004 then replaced by another in effect from April 2004 to the end of year 2007 (ASÍ 2003: ASÍ *et al.* 2004). In the bid documents between Landsvirkjun and Impregilo, the company agreed to follow Icelandic collective agreement, to pay all workers regardless of nationality accordingly and as much as possible, hire Icelandic workers and subcontractors (Morgunblaðið (2003j)).

Impregilo had not been operating for long in Iceland when complaints started appearing regarding despicable working conditions, unacceptable sanitation, insufficient dining facilities, camps that leaked and could neither stand the weather conditions in Iceland, nor fulfill fire safety (Morgunblaðið 2003g; 2003f). In short, working conditions were by all standards appalling. Moreover, and of no less importance was the rumor of social dumping practiced by the company. Impregilo was accused of underpaying the Icelandic workers as well the foreign TSA workers and not honoring the contract it had made with Landsvirkjun (Morgunblaðið (2003e)). The contract called for full observation of the Icelandic collective agreement which in practice meant that all workers working in Iceland should be paid according to Icelandic collective agreement and no other.

The trade unions expressed worries over the conditions at the work site and sent inspection teams to the premises to examine the working conditions who were appalled at what they saw (ASÍ 2003). Subsequently the unions held meetings at project site where they met with the all workers (Morgunblaðið 2003i). The foreign migrant workers expressed discontent over their salaries, insisting on receiving the same payment for their work as the Icelandic workers received. Upon these meetings, the trade unions expressed great concern over the impact of social dumping which Impregilo was accused of practicing, maintaining that if left unchecked, it would have serious negative effects on the Icelandic labor market in general making Icelandic workers far too expensive to be able to compete (Fréttablaðið 2003a). In spite of these allegations Impregilo refused to reveal working contracts and pay slips thus pre-

venting the unions from monitoring remunerations on the project site. Before long the disputes grew into a serious conflict dubbed by the media “the war at Kárahnjúkar” where the trade unions fought on one side and Impregilo on the other. From the beginning of the conflict, the trade unions policy was to defend the rights of all workers, regardless of nationality (Morgunblaðið 2003h). The unions accused Impregilo of breaching the collective agreement and insisted that SA, Landsvirkjun and the government ensured Impregilo would honor the agreement. These partners were however reluctant to show the cause a direct support and the conflict hardened, eventually reaching the parliament where the government was blamed for condoning the company’s shameful actions and disrespect Icelandic law (Fréttablaðið 2003b; Morgunblaðið 2003l; Alþingi 2003).

At the core of the dispute was the question of whether *social dumping* was practiced by the Italian contractor (that hired staff through foreign based TSAs). By all accounts it was (Fréttablaðið 2003a; 2003b). In spite of repeated pleas from trade unions as well as The Directorate of Labour, Impregilo was reluctant to reveal what wages the migrant workers they hired were receiving (Morgunblaðið 2003m). Led by a consulting committee, meetings between partners were held without rendering any solution to the conflict. Impregilo showed only limited interest in reaching an agreement. Only after the trade unions threatened with strikes and ASÍ insisted on asking Landsvirkjun to withhold payments to the contractor to meet unpaid salaries was the company willing to negotiate (Fréttablaðið 2003c). An agreement was signed, calling for all the foreign migrant workers to be paid according to Icelandic collective agreement to ensure they would receive the minimum salaries. In addition, it called for their pay slip to be issued in Icelandic and that all their salaries would be paid directly into a banking account. Shop stewards were granted access to all this information regarding all the workers (ASÍ 2003; Morgunblaðið 2003n). By this agreement things were settled at Kárahnjúkar, at least for a while.

15.5 From no rules towards a regulatory framework on temporary staffing agencies and social dumping

In wake of the conflicts at Kárahnjúkar, trade unions issued resolutions condemning social dumping, pressing authorities to provide a regulatory framework for the operations of TSAs in Iceland (BSRB 2003; Ráffs 2003; Morgunblaðið 2003k). In April 2004 the plea was followed by a parliamentary resolution on foreign employment agencies aimed at granting all foreign workers coming to the country through TSAs the same rights as Icelanders on the labor market. Moreover, the resolution aimed at preventing hidden social dumping and thereby ensuring that Icelandic companies were compatible with the companies that hired staff through TSAs (Skarphéðinsson 2004). The bill was supported by a report, containing cases of abuse and exploitation committed by temporary staffing agencies, hardly seen in the Icelandic labor market before (ibid.).

The reaction towards the need for specific regulatory framework concerning operations of TSAs was divided along the lines of the social partners with the trade unions and politicians to the left on one side and employers and their interest groups and the Icelandic state on the other. The conflict over operations of TSAs and Impregilo at Kárahnjúkar and the request for law to regulate the operations of TSAs was highly political. In interviews with representatives from the trade unions, conducted specifically for this research (Nordisk Ministerråd) all commented on how the government and the Confederation of Employers (SA) had worked against them. Stakes were high both financially as well as politically. As one interviewee put it “we met tremendous adversary in our struggle. Adversary from the authorities that had invested heavily in the project and in all the other things related to the project, we clearly felt that the authorities worked against us and the same could be said about SA. They were concerned that nothing would impede the operations of the project” (interview 29 November 2011).

Although, time was not ripe for specific law on TSAs, a watershed was marked in the conflict when in relation to a renewal of the collective agreement in early 2004, the trade unions and SA made an agreement called: Agreement Concerning Foreigners in the Icelandic Labor Market” (Samkomulag um útlendinga á íslenskum vinnumarkaði) signed 7 March 2004 (ASÍ and SA 2004b). The agreement contained a common understanding where both parties agreed to honor the arrangements based on collective agreement ruling on the Icelandic labor market. The agreement marked a shift in attitude on the behalf of SA which later served as

basis for an agreement between the social partners in pushing the authorities to regulate by law the operations of temporary staffing agencies in the country.

Almost two years passed from the initial joint Agreement on Foreigners on the Icelandic Labor Market was reached between the social partners, until the Act on TSA came into effect 1 February 2006. This time period was marked by unprecedented economic expansion and likewise by continuous and hardening conflicts over the undertakings of TSAs. In September 2004 the government formed a committee, consisting of representatives from the social partners and the government, to explore the need for legal framework for TSAs (Morgunblaðið 2004b). Complaints – especially from the trade unions – over lack of action on the behalf of the political authorities became louder but the government was nevertheless reluctant to respond (Fréttablaðið 2005b).

At Kárahnjúkar, conflicts between the trade unions and Impregilo subsided for a while but resurfaced in the fall of 2004 (Morgunblaðið 2005a; 2005b). Disputes with state and local authorities over taxes figured into the picture (Morgunblaðið 2005f; 2005e; 2005d). Workers went on strike because of substandard facilities, lack of working clothes, and low wages. Trade unions accused the company of breaching the agreements it had made earlier and emphasized that the roots of the conflict lay in the bid Landsvirkjun made with the contractor. It was clear in their eyes that the bid would never hold if the company was to pay according to Icelandic collective agreement. Likewise, was it clear to the unions that the company was to use migrant workers from impoverished areas. Political authorities denied these allegations. “The conflict is turning into a political fight of defense where everything is sacrificed in order of defense,” one trade unionist leader said (Gunnarsson 2004).

Trade unions voiced their disapproval of social dumping and discrimination against poor foreign workers in no uncertain terms but were accused by employers (Impregilo) and the Icelandic authorities of the power plant (Landsvirkjun) of being racist and prejudiced against foreigners, an accusation they strongly denied (ibid; Morgunblaðið 2005b). Conflicts over treatments of the workers at Kárahnjúkar hardened and reached the parliament where the opposition called for meetings with all partners involved. The unions feared that if social dumping and substandard working facilities were condoned at Kárahnjúkar, then other companies would follow suit, which they claimed was a direct assault on Icelandic companies and workers (Gunnarsson 2004). Before long that turned out to be the case.

15.5.1 Social dumping and Gold Rush: two sides of the same coin?

The increased growth of the Icelandic economy called for increased labor demand, especially within the construction industry and later in other industries and services. The number of foreign migrant workers, increased by the day not least in the Reykjavik area. In line with the migratory flow to Western Europe at the time most of these workers were coming from the new member states in the EU, mostly Poland and the Baltic states (Fellini *et al.* 2007; Krings *et al.* 2011). Moreover, as had been the case in other countries such as Norway, the practice of social dumping amongst these new workers was a great concern (Alsos and Eldring 2008).

Due to Iceland's suspension of the EU's stipulation of free flow of workers until May 2006, the employers were still obliged to apply for work permits for their migrant laborers at The Directory of Labour. Work permits for migrant workers were issued to the employer issued not to the individual. To begin with most workers were hired directly by the employers as the tradition called for but employers complained that the work application process was too time consuming – taking from two to three months to process – and thus halting the pace of their work projects and hurting their business. By using the temporary work agencies, workers could be provided in a matter of days. The use of temporary work agencies was also fit to meet the mobile character of construction where workplaces change from one project to the next, requiring a “degree of flexibility that can be solved by using temporary agency workers” (Ødegård *et al.* 2012:463). In response to the need of the construction industry work permit regulations were changed in September 2005 thereby shortening the delivery process down to two weeks (Vinnumálastofnun 2005; Morgunblaðið 2005k).

The economic expansion grew faster and generated a kind of gold rush atmosphere where the hope of a quick profit became the guiding light of many employers according to many interviewees for this research whether from the rank of trade unions or employers. In this “Klondike” like environment, temporary employment agencies foreign based and domestic alike mushroomed overnight. Soon rumors and suspicions about illegal workers particularly within the construction industry began circulating, later to be substantiated by the trade unions through their own investigation (Morgunblaðið 2005h). Cases of sub-standard working conditions and severe social dumping were exposed where workers were receiving wages as much as four times lower than the lowest wages agreed upon in the collective agreement (ibid;

Morgunblaðið (2005j;2005i). The media published accounts of these illegal activities with indicative headlines: White slavery left untouched while politicians turn a blind eye”, stating that:

“Up to thousand ghost workers from the Baltic states and Poland are suspected to be on the Icelandic labor market. These men do not pay taxes and their wages now threaten the market wages in many trades. More than one agent is suspected to be behind the illegal import of these workers. Due to mild penalty more and more are tempted to participate. Political authorities remain indifferent and regulations on the operation of temporary employment agencies are still to be seen” (DV- Dagblaðið 2005).

The trade unions denounced this development and fought hard against it. The unions were supported by opposition parties in the parliament in their condemnation of social dumping allegedly practiced by the TSAs Skarphéðinsson (2005a). A plea for a regulatory framework for the operations of TSAs and regulations that would hold TSAs users accountable for the activities of the TSAs became ever louder (Hermannsson 2005). In a memo issued in late February, ASÍ protested against “out of control importation of foreign workers” insisting the authorities to do whatever it took to hinder social dumping and any underground economic activities based upon abuse of foreign migrant workers. ASÍ also insisted, that companies involved in this kind of activities would be reprimanded by any means necessary. Last but not least ASÍ called for regulatory framework for TSAs operating in Iceland (Fréttablaðið 2005b). The Confederation of Employers – SA – also condemned social dumping and any kind of illegal activities conducted by employers and claimed that: it was totally unacceptable for law-abiding companies to have to compete with partners that disobeyed laws and regulations, paid wages under what the collective agreement stated and did not even pay any tax or duties. Such activities have no right to exist and should be banned.” (Stefánsdóttir 2005).

In late 2005 up to one thousand underpaid workers were found in the great Reykjavik area alone, according to estimates made by ASÍ, which meant large sums lost in payment to the workers themselves and in revenues for tax authorities (Fréttablaðið 2005e; 2005a) The trade unions filed several law suits against TSAs suspected of illegal activities, charging them and client companies with social dumping, breaches of collective agreement and other related matters of exploitation (Fréttablaðið 2005c; Morgunblaðið 2005j; Blöndal 2005). The temporary staffing agencies and their client companies in turn filed charges of defamation (Blöndal 2005; Rafiðnaðarsamband Íslands 2006). Litigations in some of these cases lasted for years, whereas others were shortly settled (Morgunblaðið 2005k; 2005l).

Another aspect of the TSA conflict concerned taxes. Disputes rose on both local and state level over whether the TSAs or the client of TSA should pay taxes of the workers' wages and whether the payment should be in Iceland or their home country (Morgunblaðið 2004a). Already in 2004 Impregilo ran into a conflict with the tax authorities insisting it had been overpaying taxes and filed a lawsuit (Morgunblaðið 2005c). The case was in the courts for years. In 2010 the Supreme Court of Iceland ruled in the case where the state of Iceland was acquitted of accounts on the behalf of Impregilo SpA., to refund taxes paid of the wages of foreign migrant workers hired from two Portuguese temporary work agencies to work for Impregilo at the Kárahnjúkar power plant. The Supreme Court of Iceland ruled that the money the company had paid in taxes was not refundable as the Icelandic state was legally entitled to receive the payments (Viðskiptablaðið 2010; Hæstiréttur Íslands 2010). Moreover, trade unions alerted tax authorities and The Directorate of Labor about companies using illegal workers but complained about receiving little response (Morgunblaðið 2005h). Regardless of whether this complaint was justified or not, it was clear that official institutions suffered from lack of regulatory framework that took to the operations of TSAs.

15.6 Equal rights – No Exception – Jendo Prawo – zadnego oszustwa

In wake of increasing cases of social dumping, ASÍ and its member trade unions launched a campaign in May 2005 under the slogan *Equal Rights – No Exceptions* (*Einn réttur – ekkert svindl*), against social dumping and illegal work amongst foreign migrants in Iceland *Equal rights – No Exception* or *Jendo Prawo – zadnego oszustwa* in Polish. A subtitle read: Are you working? Do you know your rights? Everybody loses from social dumping. (ASÍ, 2005 May).

The biggest challenge, not surprisingly, was the rapidly increasing temporary employment agencies. The campaign required a co-operation with authorities on different levels. Posters and brochures were published in eleven different languages and distributed by the unions to employers all over the country along with adverts that appeared in the mass media. The objective of the campaign was to defend the rights and duties for all wage earners on the Icelandic labor market. The primary target groups were accordingly, employers who abused migrant workers, in order to get an advantage on the market. The campaign emphasized that everyone would lose from social dumping and illegal employ-

ment activities: The foreign migrant workers would lose because they were deprived of their rightful pay, remuneration, working facilities and conditions. All wage earners would lose because social dumping undermines their wages and rights on the labor market. The companies would lose because social dumping undermines the competitiveness against those that abide by the law and are the backbone of Icelandic economy. The society as a whole loses because social dumping undermines the welfare system and the society that people have built together (ASÍ 2005; 2006 European Commission 2010). The campaign was a success and ASÍ argued that among the general public it had resulted in negative attitudes towards abuse of foreign migrants. Public institution had also improved their work procedures – because of commentaries made by the unions – regarding migrant workers. Yet in spite of these positive improvements a legal framework ensuring that foreign migrants would be guaranteed decent pay and rights, was still missing (ASÍ 2005).

In wake of the campaign the conflict over the alleged illegal and abusive activities of TSAs continued and cases of severe abuse came to the fore. Trade unions sued a TSA which in turn threatened to sue ASÍ and The Directorate of Labour (Samiðnaðarblaðið 2005; Visir.is 2005; Fréttablaðið 2005d). ASÍ sent a plea to the government asking for an immediate response regarding a legal framework for their activities (ASÍ 2005). SA was also adamant on insisting that all companies should abide to the collective agreement and condemned those companies that had abused their workers or evaded the law one way or another. While emphasizing the importance for companies to conduct business only with trustworthy and law abiding TSA's, SA also lamented the negative reputation that was being attached to all TSA's as a result of these activities. Therefore, SA denounced that law abiding companies should be subject to harsh and unfair media coverings and even police interference, just because they had foreigners working for them (SA 2005).

In October 2005 the Ministry of Social Affairs published a general report on temporary staffing agencies and options for a legal framework in Iceland (Blöndal 2005). If the report was meant to quiet the discontent, it did not succeed. Once more the dispute hardened and the government was criticized for lack of action. MP's in the opposition claimed that legislation was long overdue and cited deplorable and criminal cases of social dumping. Running out of tolerance the trade unions made a legislation on TSA a precondition for a renewal of collective agreements that was about to expire. The government responded promptly and submitted a bill on temporary work agencies which was passed on December 9. The Act on Temporary Work Agencies. No. 139/2005 came into effect

1 February 2006 (Alþingi 2010). The act was based upon propositions from the working committee on TSAs – ordered by the Minister of Social Affairs – consisting of representatives from both social partners – i.e. SA and ASÍ – and the Ministry of Social Affairs. The law on TSAs, used the Act on Working Terms and Pension Rights Insurance, No. 55/1980 (Alþingi 2012) as a point of departure, hence preventing the practice of social dumping amongst foreign migrant workers on the Icelandic labor market. It was the first comprehensive legal framework on temporary work agencies in Iceland.

15.7 From obscurity to light

Despite criticism of being long overdue, the passing of the special act on TSAs was embraced by the opposition in the parliament, the trade unions (ASÍ), and the Confederation of Employers (SA). The initiative for the act came from the social partners – not the government – and the same associates acted in cooperation with the Directorate of Labour in preparing the implementation of the law and its execution (Morgunblaðið 2006).

What changes did the act entail? From the government's perspective, the aim of the act was to clarify rules in effect on the labor market so that the TSAs would be operating within a given legal framework. Moreover, the act was aimed at preventing the practice of social dumping on the Icelandic labor market where foreign migrant laborers had been paid less than the collective agreement called for. The act also emphasized the need to prevent unhealthy competition – from companies that practiced social dumping – with the vast majority of companies that were law abiding in their activities and paid their workers according to the collective agreement (Alþingi 2005).

From the perspective of the trade unions and institutions within the civil administration, the law brought about three major changes. The first took to registration. The core of the law – according to one interviewee from the trade unions – was the conception that a legal framework was necessary in order to keep track of all undertakings of temporary staffing agencies whether they were foreign based or Icelandic. Absence of requirement for registration of temporary staffing agencies operating in Iceland, let alone a more extensive legal framework taking to their transactions, made it almost impossible to get a clear picture of the scope of their activities and to monitor how many people were actually active on the labor market. "Temporary staffing agencies could be

operating here with dozens or even hundreds of workers without us having any knowledge thereof because they were not subject to register” said Gissur Pétursson the chair of The Directorate of Labour in an interview at the time the law came into effect (Morgunblaðið 2006). This obscurity was lifted by the law which made registration at The Directorate of Labor obligatory.

Secondly, a legal framework brought the TSAs operations to the surface, making it clear who stood behind the undertakings and where. It became mandatory for them to have a representative based in Iceland regardless of whether their headquarters were based in Iceland or in another country. As the economy expanded, temporary staffing agencies sprung up almost overnight – whether Icelandic or foreign based. It happened repeatedly, when the trade unions wanted to bring representatives of these TSAs to the fore because of suspicion of social dumping, that no one was to be found, no one in charge could be reached.

Thirdly, embedded in the law on TSAs was a requirement that made it possible to demand the employers to reveal what remuneration they were using. Implementation of the law gave the social partners the right – through official institutions such as The Directorate of Labour – to demand information regarding all wages paid.

The act was much welcomed by The Directorate of Labour which was now granted the responsibility to monitor the implementation of the act by the TSAs. Moreover, the Confederation of Employers (SA) also welcomed the act and emphasized how penalty provisions of the law provided both the authorities, as well as the social partners, with tools to act towards those who did not abide by the law, whether they failed to submit contracts and other required data or violated the rights of their employees in another way.

In cases of violation on the behalf of the TSAs, the act granted The Directorate of Labour permission to send the police on site to discontinue the TSAs operations immediately. In the beginning several cases appeared where some temporary staffing agencies failed to formally register their activities, the number of their employees and what kind of work contract they had. Lack of knowledge of the law and regulations, cultural difference and language barriers were the most common reasons for these violations. Upon request the TSAs were obliged to submit pay slips and contracts to the police and likewise they were obliged to register their employees at the Directorate of Immigration and to pay taxes and insurance (Fréttablaðið 2006a).

The majority of the TSAs operated within the construction industry, albeit with few exceptions in the health sector, mostly in nursing. As the

TSAs were not obliged to register before the implementation of the law, absolute numbers on the scale of their operations are not available. With the implementation of the act on temporary work agencies (nr.139/2005) 1 February 2006, registration became mandatory. On 1 May 2006, when restrictions on workers from the new EU member states was lifted, 21 TSAs were already registered with the Directorate of Labour. In November that same year the number of registered TSA was up to 31 thereof 24 active. In total 15 were registered as Icelandic and the other in eight different European countries. Of these employees 35% were registered as unskilled workers with carpenters ranking in second place with 19% and all other groups of tradesmen 6% or lower (Verkalýðsfélag Akraness 2006a). Exact data on ownership of TSAs is not available but on estimate two thirds were foreign based the rest with Icelandic ownership in the period from 2006 to 2009. It is however certain that the workers were exclusively foreign migrants. On estimate around 10–15% of all foreign migrants on the Icelandic labor market worked for TSAs when their operations peaked between 2006 and 2008. Clients were both Icelandic and foreign based companies. In 2006 the number of employees registered at TSAs was 1,125 in total, thereof 534 working for two Portuguese TSAs operating at Kárahnjúkar. Only 221 Polish workers were registered that year. The number of TSAs employees peaked in 2007 when it reached 1,281 in total, with Poles the largest group counting 612. The following year the total number went down to 501 with Poles counting 335. In 2009 active TSAs had with one exception all but disappeared (Sigurðsson 2011 June). In the fall of 2011 several TSA were registered with The Directorate of Labour but only one was active with 17 employees who all were welders.⁶⁷

Both ASÍ and SA supported the decision to lift the ban on free flow of workers from the new EU member states on 1 May 2006. ASÍ had originally been against the free flow and insisted on postponement whereas SA was never in favor of restriction, maintaining that businesses had often been forced to use TSAs due to the long and costly procedure of processing work permits that lasted until September 2005.⁶⁸ One of the arguments for lifting the ban was to reduce the operations of TSAs. Both ASÍ and SA agreed on that matter. A newspaper article on the subject

⁶⁷ MIRRA/CIRRA interviewed a representative of the client company. However, in spite of numerous attempts, connections with representatives of these registered TSA's, was unsuccessful.

⁶⁸ The process took three to five months but was shortened to several weeks in September 2005; Árnason (2006).

titled: "Immigrants are now seeking their rights" stated; with the implementation of free flow of workers, foreign workers on the Icelandic labor market have broken the fetters of serfdom of sorts and have become free men, according to social partners." Migrant workers were also increasingly becoming more knowledgeable about their rights and duties (Fréttablaðið 2006b).

At the beginning it seemed as operations of TSAs had diminished and more workers were being hired directly by the employer. ASÍ leaders maintained that the wages of foreign migrants were thereby coming closer to market wages (*markaðslaun*), the most common wages paid in each occupation (*ibid.*).⁶⁹ Other trade union leaders refuted that affirmation (Verkalýðsfélag Akraness 2006). The trade unions maintained that even if the migrant workers were paid according to minimum wages as stipulated in the collective agreement, it was in fact an underpayment (i.e. under market wages) and therefore yet another form of social dumping. All the trade union leaders interviewed for the research agreed upon that. The act on TSAs did not eradicate this practice and some interviewees pointed out that during the height of the economic expansion, the gap between minimum wages and market wages was considerable (Hermannsson 2006:1; Gunnarsson 2005). The act on TSAs did likewise not prevent companies from evading the law and omit registration of their TSA workers. As late as August 2007, such a case was revealed (Morgunblaðið 2007; Vísir.is 2007). Neither did the act guarantee that the foreign employees would not be exploited in one way or another. With that in mind ASÍ issued a publication in September 2007, regarding foreign employees on the Icelandic labour market, containing information on the employment rights of foreign workers and on employers' duties toward authorities (ASÍ 2007).

According to figures from The Directorate of Labour, TSAs operations slightly increased from 2006 to 2007 (Sigurðsson & Arnarson 2011). It is hard to maintain with accuracy whether the lifting of restrictions of the free flow of workers had considerable effect on the scope of TSAs operations as no data exists before 1 February 2006. It is clear however, that their registration started dwindling already in early 2008 when the building industry started slowing down few months before the crisis hit. It should thus not come as a surprise that TSAs just about disappeared in

⁶⁹ One aspect of the labor market in Iceland is the practice of paying so-called market wages instead of going strictly by the rates given in collective agreements. Market wages do fluctuate according to demand and supply in specific sectors or occupations.

wake of the crisis as most of them had been operating within the construction industry that practically collapsed overnight with the onslaught of the recession. While most – all social partners as well as public institutions dealing with the labor market – would agree that the crisis had a great impact upon their disappearance, they disagree on the extent it did, as well as on other causes of impact. If the aim of using TSAs was to evade paying according to collective agreement, as the union leaders claimed, the act on TSA undoubtedly had an effect towards reducing that practice. Some interviewees from the trade unions maintained that when all was said and done, i.e., wages and wage related cost paid accordingly – even if it was only minimal wages – in addition to benefits such as housing cost and travel, the equitation was not necessarily in the TSAs favor.

It is fit to conclude this discussion with words from one interviewee, working on labor issues within the Icelandic administration, who said, that “finally when a regulatory framework for the operations of temporary staffing agencies had been put into effect and was up and running rather smoothly, they pretty much disappeared from the scene.”

15.8 Conclusions

This paper set out to explore the development of temporary staffing agencies in Iceland and clarify why it has differed so radically from the neighboring countries. Why did their operations cause such heated disputes, what caused them and who were the disputing parties? What caused their disappearance? Are they gone forever or are they likely to reappear in the future? Our analysis showed that the conflict was highly political from the beginning with heavyweights from both the highest political ranks as well as all the major figures from the ranks of the social partners. At the core of the conflict was the issue of social dumping and concomitant workers abuse.

Opposing blocks were on the one side, the trade unions backed by politicians from the left who fought against what they termed illegal and immoral actions of the temporary staffing agencies. On the other side, were the Confederation of Employers or SA (*Samtök atvinnulífsins*) and *Landsvirkjun*, a state owned energy company on the behalf of the Icelandic state that took sides with the temporary staffing agencies and their client companies. The temporary workers – the subjects of the abuse – were exclusively foreign migrants and mostly males. They did

not form a united block in the struggle but the trade unions fought on their behalf.

The construction of the hydroelectric power plant at Kárahnjúkar and the fierce conflict that rose there over social dumping and other forms of labor abuse of foreign workers at the work site set the course for subsequent development of temporary staffing agencies and reputation. Political stakes were high for the project which undoubtedly was responsible for how slow Icelandic authorities and the public administration were to respond to the severe accusations brought forward by the unions. An absence of clear cut regulatory framework on the operations of temporary staffing agencies and an ever expanding economy in dire need of labour generated a “gold rush” mentality driven by a desire for big profits in a short time. In short the ideal ground for the practice of social dumping. The trade unions feared from the beginning that the unregulated temporary staffing agencies would capitalize on these conditions. They proved to be right, hence the fierce resistance of the trade unions from the beginning. We saw how both political authorities and the employers (private and state) were united in their opposition toward regulatory framework. After a yearlong bitter conflict and serious clashes, the trade unions led by ASÍ, managed to win the support of the Confederation of Employers and push for an act regulating the operations of temporary staffing agencies in Iceland.

In light of the dramatic and unusual development of temporary staffing agencies in Iceland it is tempting to contemplate on their future on the labor market. Are they gone forever or will they reappear? It is of course impossible to make any accurate predictions. We do know however, that due to the bitter conflict and the repeated disclosure of social dumping and other forms of exploitation, TSAs reputation and image suffered tremendous damages and some would say irreparable damages. In the minds of some people, temporary staffing agencies equal social dumping and human trafficking. In the boom years some companies that had migrant workers on their payroll went out of their way to make it public that they were not using TSAs. Likewise directors of established firms – TSA’s and others – that did not participate in this exploitation and had an image to defend, contacted The Directorate of Labour in order to make sure that their business was not associated with the villains.

Our analysis has revealed that the practice of temporary staffing agencies pertained exclusively to foreign migrant workers and has so far, not reached employees from the ranks of native Icelanders. That fact did however, not diminish the militant demand of the trade unions towards a regulatory framework and transparent practices of the TSA’s.

Our interviews revealed that all union leaders are in favor of direct contract between employer and employee. Some are adamant against any operation of TSA, other see them fit on some occasions to deal with temporary labor demand in specific projects or in fields/sectors where that occurs seasonally. We also saw how The Confederation of Employers (SA) shifted their attitude regarding regulation/act from opposing it to supporting it. Our analysis shows that employers are usually in support of the Icelandic tradition of direct contract but regard TSA also as an additional solution to other recruitment practices. (Stefánsdóttir 2005). However, irrespective of the local attitudes of the social partners, the future development of temporary staffing agencies in Iceland depends first and last on economic development both locally and globally.

15.9 References

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16. Comparative analysis and conclusions

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The accession to the EUs internal market for labour and services of ten former east bloc countries in 2004 and 2007, not only led to significant flows of people in search of employment from the new to the old member states, it also led to the establishment and growth of what migration scholars loosely refers to as a *migration industry* – a wide range of individuals, institutions and enterprises seeking to gain profit from the facilitation of such movements (see Spener 2009). In an expanded transnational labour market there are obviously huge “transaction costs” involved for both employers and workers in the form of language differences, lack of information and other barriers to mobility. In order to overcome these barriers and lower the cost and risk of migration, non-commercial informal and social networks connecting sending and receiving areas have been important in the facilitation of labour flows to the Nordic countries.⁷⁰ But at the same time, major commercial interests have also been involved in the movement of workers, seeking to gain profit by offering services, brokerage and support to both migrant workers and their potential employers. According to Salt and Stein (1999), the concept of migration industry can be defined as “a system of institutionalized networks with complex profit and loss accounts, including a set of institutions, agents and individuals, each of which stands to make a commercial gain” from migration.

One particular category of commercial actors – namely formal *recruitment and temporary staffing agencies* – have taken on a crucial role as facilitators of migration from the new to the old EU and EEA member

⁷⁰ For example, the vast majority interviewed for the so-called Polonia surveys in Oslo, Copenhagen and Reykjavik stated that they knew someone who was staying in the country before they decided to go themselves, and most of the had recieved much needed information as well as social, practical and informational support (Friberg & Eldring 2011).

states after the accession in 2004. By recruiting migrant workers in their countries of origin and facilitating their movement, thereafter functioning as their employers and hiring them out to client firms in need of labour in receiving countries, the temporary staffing industry has been able to grow and expand into new markets in the Nordic countries as well as in Poland and other sending countries. The present study shows, however, that this development has not been uniform in the different Nordic countries, partly reflecting overall differences between labour demand and inflows to the different receiving, partly reflecting the industry's institutional embeddedness in each particular country.

16.1 Recruitment of workers in Poland

The present study of temporary staffing and recruitment agencies operating on the Polish market shows how recruitment and temporary staffing agencies are part of an industry which involves chains of actors which facilitate and promote the emigration of workers. This industry is diverse, consisting of everything from individual brokers and small firms located in either sending or receiving countries, to large transnational corporations. From the initial recruitment of workers in Poland, to their placement with clients and employers in one of the Nordic countries, complex networks and numerous links of mediators, subsidiaries and subcontractors are typically involved.

Polish administrative data on recruitment and temporary staffing activities, based on registrations with the Ministry of Labour and Social Policy are incomplete, but nevertheless provide an insight into the development in this market over the last decade. There are two main categories of actors: employment agencies, which operate as labour market intermediaries matching workers with employers for a fee, and temporary work agencies, which also function as employers and send workers on assignments for external clients. This distinction is, however, somewhat blurred, since many employment agencies actually match workers with Polish or foreign temporary staffing agencies (who then hire them out to other clients), sometimes operating as different branches under the same corporation. While the Polish market for employment agencies was liberalized in 1990, temporary work agencies were not incorporated into Polish labour law until 2002, reflecting that Poland is a relatively new market for the global temporary staffing industry. The market for both employment agencies and temporary staffing agencies experienced an explosive growth after the EU accession in 2004, specializing in

sending workers abroad. The industry reached a peak in 2008, when the financial crisis sent the industry into recession. All in all, between 2004 and 2010, about 800,000 people were registered as being sent abroad through a registered agency. Of all registered labour emigrants from Poland, those “using” an employment or temporary staffing agency constituted about 1/4th in 2008 and 1/3rd in 2010. Most of these registrations were not workers being employed by staffing agencies, but workers being matched with employers through private employment agencies. However, foreign temporary staffing agencies appear to be the most important clients for private employment agencies – especially those specializing in semi- or low skilled workers. Small recruitment firms typically have a stable clientele consisting of temporary staffing agencies and other client firms located in destination countries.

Obviously, none of the Nordic countries are among the top destination countries for those workers matched or employed by agencies. However, a greater share of those workers going to Norway appears to go through agencies compared to most other destinations, suggesting that the institutionalized commercial recruitment links between Poland and Norway are stronger than in many other important destination countries, such as the UK or Ireland, where large numbers of workers have gone, but relatively few have used agencies. In the other end of the spectrum we find the Netherlands, where a staggeringly high proportion of all Polish workers have been recruited through agencies.

The qualitative interviews show that although employment and temporary work agencies operating in Poland use a variety of different means for recruiting workers, including internet and newspaper ads, informal networks and contacts are extremely important. Many of the people who have invested in this market – especially those running smaller firms – have migration experience themselves and use their transnational base of personal contacts with workers and employers in both sending and receiving countries as their primary source of (social) capital when brokering deals and accessing clients. Because there is a high level of uncertainty involved for both migrant workers and clients/employers, trustworthiness and a good reputation is alpha and omega for those operating as intermediaries. In a booming market where big money could be made fast by crafty entrepreneurs, the industry has been marked by a fair share of rouge operators (which is also reflected in Reports from the National Labour Inspectorate), enhancing the need for a good reputation among those who intend to stay in business. Some larger agencies have branches in several countries and send workers to different industries and destination countries in Europe. Smaller agencies on the other hand, tend to spe-

cialize in one particular market, using their inside knowledge to gain a foothold. Most agencies are engaged in some kind of screening of workers, including verifying skills and work experience, but only a few of them offer training and courses.

The qualitative interviews with temporary staffing and recruitment agencies in the Nordic countries confirm the picture that is provided from the Polish study. Some of the larger corporations have their own system of recruitment and screening of workers in Poland, either themselves or through subsidiary branches. The most famous being the Adecco training camps (Adecco Campus Nordic) in Mrzezyno and Zakopane, where potential workers undergo intensive training and testing, before eventually being hired by Adecco Norway. Most agencies, however, use local subcontractors or subsidiaries to do the actual recruitment of workers. At the same time, many temporary staffing agencies in the Nordic countries say that the inflow of workers in recent years has become increasingly self-sustaining, through informal personal networks and word of mouth, and that the need for active recruitment is diminishing, since workers increasingly seek out the agencies themselves.

16.2 Migrant temp workers' position in the Nordic labour markets

The migrant temp workers role and position in the workforce – as distinct from migrant workers employed directly in host country firms – is closely related to the reasons why firms choose to hire them as temps through agencies rather than to employ them themselves. The qualitative interviews with agencies and employers in the Nordic countries, confirm that firms have a variety of motives for using temp workers rather than direct employment, including:

- Numerical stability in the face of employee absence.
- Numerical flexibility in the face of volatile shifting and/or seasonal fluctuations in product demand;
- Cost reduction due to lower wages, social costs, personnel administration and recruitment costs.
- Avoiding risk in the face of legal liabilities and limited information when recruiting workers.

Depending on which motive is the most prominent being employed by an agency may have different outcomes for the workers. For example, using temps to obtain *numerical stability* implies that the temps will be included in the regular daily work operations of the firm, since the temp is filling in for one of the firms' own employees, and performs a similar function as the absent. Using temps to obtain numerical flexibility, on the other hand, implies splitting the workforce into two distinctly different segments – one stable and internal, and one flexible and external – who perform different functions. Using temps to lower costs will imply low wages and/or reduced benefits (and thus the concern over social dumping which in many of the Nordic countries is closely related to the temporary staffing industry).

For any particular firm, any combination of these motives may be important. And although all of these motives are familiar from the general literature on temporary staffing (Coe *et al.* 2010), there appears to be some systematic differences between industries and depending on whether they are hiring migrant workers or not. Numerical stability appear to be the dominant motive for using temps within the traditional office sector in all the Nordic countries, but very few migrant from Central and eastern Europe are found within this part of the temp industry. In those industries where hiring migrant workers through temporary staffing agencies is most common in all the Nordic countries – such as construction, manufacturing, food processing, warehouses etc – numerical flexibility, risk aversion and cost control/reduction appear to be the most prominent motives for using agency workers. Cost issues, time constraints and strong dependence on the state of the economy are all characteristic of these sectors. Food-processing is subject to strong seasonal variations. And construction – probably the most important sector employing migrant temp-workers in the Nordic countries – is also mobile in character, and workplaces vary from one project to another. All of this requires a certain degree of flexibility, which can be solved by using temporary agency workers. Migrants in these industries tend to function as a flexible buffer to the regular workforce. This means that the work situation of most migrant temp workers is typically characterized by uncertainty and short-sightedness. In this study we have not conducted any systematic study of the perceptions of migrant temp workers themselves, but some have nonetheless been interviewed as key informants. Almost every one of them told us that regular direct employment was much to prefer over temp jobs, and most of them emphasized lack of stability and precariousness in work situation as the main reason.

In addition, the issue of wages and cost appear to constitute an important divide within the migrant temp industry. Larger well organized temporary staffing firms – which tend to dominate the markets in all countries – often claim that they cannot compete on low prices alone. In their shadow, a substantial market of smaller temporary staffing agencies speculating in low wages and circumventing national labour regulations appears to have emerged in some of the Nordic countries. In Norway, a significant market for informal and undeclared temporary staffing in the construction industry marked by tax-evasion, illegally low wages and regular breaches of working environment laws, is estimated to account for 15–20% of the temporary staffing market (Ødegård *et al.* 2012). The present study suggests that a similar – although probably smaller – market exists in the Danish construction industry.

16.3 Temporary staffing as a “migration industry”

Historically there are some common themes when looking at the histories of temporary staffing in the Nordic countries: from having relatively strict regulations a couple of decades ago, a wave of liberalization swept the Nordic countries, Denmark removed their restrictions in 1990, Sweden in 1991, Norway had a major revision of the legal framework in 2000, while Iceland did not have any regulation (nor any industry to regulate) until the 2000s. Deregulation was typically followed by growth and expansion of the industry, more or less connected to the recruitment of migrant workers, and then by more or less successful national attempts to re-regulate the industry, either through law or collective bargaining. So far, this story ends with the (currently on-going) national applications of the EU Temporary Workers Directive, which will have somewhat different implications in the different Nordic countries, partly due to the ways it is being implemented and partly due to the different state of regulations before implementation. These developments roughly echo the global development in the temporary staffing industry. However, when we look in more detail at the overall development of the temporary staffing industry in the Nordic countries and in particular how and to what extent the industry is involved in recruitment and staffing of migrant workers, significant differences emerge.

In Sweden, the temporary staffing industry experienced a significant period of growth quite early in the 1990s. After some time, the industry became incorporated into the Swedish framework of collective bargaining, first white collar workers, and in 2000, blue collar workers as well.

This gave temp agency workers in Sweden stronger protection than most temp workers elsewhere. Swedish temp workers – probably as the only ones in the world – are guaranteed permanent employment with pay irrespective of their individual assignments. Following a generally more favorable economic situation in the period after 2003, the industry went into another period of growth. However, this growth was *not* related to the recruitment of migrant workers. Migrants are overrepresented in the Swedish temporary staffing industry, but these consist of refugees and other immigrants from Asia and Africa who are already settled. There has been a certain growth in the number of Central and Eastern European workers employed in the industry, but this merely reflects the general increase in this population, and there is no evidence of staffing agencies actively recruiting migrant workers abroad in any significant numbers.

The Icelandic story is very different. Here the industry was not present before well into the 2000s. Then there was an explosive growth, based on large scale recruitment of migrant workers from Poland and other new EU member states, as well as some southern European workers. This development was spearheaded by large international corporations who would supply foreign labour to, among others, a large scale hydroelectric power-plant in the country's interior, but quickly spread to other parts of the economy. At this time the industry was largely outside the scope of Icelandic regulations and the operations of the industry was closely associated with low wages, substandard working conditions and social dumping. After a fierce political battle, new regulations were introduced that would bring the industry into the otherwise encompassing system of Icelandic labour regulations. In combination with the devastating effects of the international financial crisis upon the Icelandic economy, this led to the complete breakdown and disappearance of the industry on Iceland.

The Norwegian temporary staffing industry has followed a quite different trajectory from both Sweden and Iceland. Until the year 2000, the industry was banned outside the so-called “traditional office sector”, where there had been a small but significant market for temps since the early 1990s. Although the industry made several attempts to expand into new sectors, these mostly failed during the initial years after liberalization, due to difficulties in finding workers willing to work through agencies. A notable exception was a short period in 2001–2002 when the market for nursing temps produced exceptionally high wages, and then quickly collapsed. With the EU accession in 2004, however, a period of exceptionally high growth began, which was largely based on the active recruitment of migrant workers from Poland and the Baltic states

who were hired out to the construction industry and later also to shipyards, food-processing and oil-refineries. In the same period increasing numbers of Swedish migrant workers were recruited, particularly to the health sector. This development was closely related to changing labour strategies in these sectors where demand for cheap and flexible labour was combined with a certain reluctance to employ migrant workers directly. The financial crisis of 2008 was only a temporary setback for the Norwegian temporary staffing industry. Today, immigrant workers comprise more than half the workforce, and the industry displays a clear cut national division of labour, as native Norwegians are almost exclusively hired to the “office sector”, Swedes dominate the health sector market, while Poles and Baltics make up the bulk of workers hired to construction and manufacturing. During this period the Norwegian temporary staffing industry remained largely outside the scope of Norwegian collective bargaining structures and has been subject to quite liberal state regulations. As of today, however, it appears that the implementation of the EU Temporary Worker Directive will entail a stronger regulation of the industry.

The development of *the Danish* temporary staffing industry has some similarities with the Norwegian case, but also the Swedish. The restrictions on the industry were liberalized earlier than in Norway, and also started growing a bit earlier. Its growth in recent years has neither been as strong as in Norway nor as clearly connected to the recruitment of Central and Eastern European migrant workers. As in Sweden, the industry has to a larger extent than in Norway been incorporated into the general framework collective agreements, but terms of employment are less rigorously regulated than in Sweden. Parts of the industry have been actively involved in recruitment of migrants, much to the same type of industries as in Norway, and the number of CEE migrant workers within the industry has increased sharply since 2004. It is also likely that Danish statistics underrepresent the number of temporary migrant workers within the industry, and there are also significant grey areas between temporary staffing and other forms of subcontracting. Many firms which recruit and hire out migrant workers may not be included in official registers, suggesting that the “migration-related” part of the industry is in reality larger than estimated. Reflecting the generally lower inflow of migrant labour to Denmark, it is nevertheless reasonable to say that the intersection between labour migration and temporary staffing is nowhere near the Norwegian situation.

So, can this brief comparison of four Nordic countries tell us anything more general about the conditions of temporary staffing as a migration

industry? Making general claims based on only four cases is obviously difficult. However, we can make some preliminary hypotheses regarding which factors must be present in order for the temporary staffing industry to emerge as a powerful migration industry, as it has in Norway in the years since 2004, as it *to some extent* has done in Denmark in the same period, and as it temporarily did on Iceland in the period between 2005 and 2008. Based on our data it seems that the emergence of temporary staffing as a significant “migration industry” has been dependent on the concurrence of four disparate conditions:

- Relatively liberal regulations of the temporary staffing industry allowing for flexible adaptations.
- Economic expansion and demand for flexible semi- and low skilled labour.
- Tight domestic labour market with difficulties in recruiting native workers.
- Access to willing and potentially “cheap” migrant workers.

In Norway, all four phenomena have been present during the entire period after 2004: there were very little regulation of the industry (practically no collective agreements, no requirements of guarantee pay between assignments or equal pay to in-house employees),⁷¹ there was an economic boom with huge demand for labour in many industries; there were record low levels of unemployment and skilled natives could usually pick and choose among jobs that were far more attractive than temping assignments; and the EU accession provided access to a new gigantic pool of willing and potentially cheap workers from the new member states. The result was the rise of temporary staffing as a large scale “migration industry” facilitating labour migration to Norway. To some extent these conditions have been present Denmark too, but much less so than in Norway: The industry was covered by collective agreements; the economic boom and demand for labour was slightly lower than in Norway; domestic unemployment was low, but still a little higher than in Norway; and while Danish employers had the same access to workers from accession countries, the far more encompassing Danish system of collective agreements made the scope for low wage competition smaller. In Iceland, all of these

⁷¹ There were some “dormant” restrictions on the client firms access to *hire in* labour, but these were rarely applied. To what extent the implementation of the EU Temporary Workers Directive will change this remains to see.

conditions were highly present in the period between 2004 and 2008; an unregulated industry operating in a Klondike-ish economy in the years after the EU enlargement, which resulted in a booming migration industry completely outside the scope of Icelandic labour market regulation. When new regulations brought the activities of temporary staffing agencies into the existing framework of labour market regulations and the economic crisis at the same time devastated the Icelandic economy, conditions 1, 2 and 3 evaporated, and the industry collapsed. In Sweden, these conditions have never been met simultaneously: the industry was subject to encompassing regulations and collective agreements long before the EU enlargement; the Swedish economy may have had some periods of growth and rising demand for labour, but unemployment has remained high, especially among youth and settled immigrants, leaving the industry in no short supply of willing domestic workers. As a result, Swedish staffing agencies have had little scope and few incentives to invest in large scale recruitment of migrant workers.

16.4 References

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Labour migrants from Central and Eastern Europe in the Nordic countries

This report presents the results from a project that has aimed to generate new comparative knowledge about labour migration from Central and Eastern Europe to the Nordic countries, the factors that shape wage and working conditions for labour migrants and recruitment processes and practices. In the report we:

- Describe and compare patterns of labour migration between Central and Eastern Europe and the Nordic countries.
- Compare the working conditions of Polish labour migrants in Oslo, Copenhagen and Reykjavik – and analyse how their labour market situation is shaped by variations in national regulations, systems of collective bargaining and local labour market structures.
- Analyse the particular role of recruitment agencies in introducing new migrants to the Nordic labour markets.

The research has been conducted by a team of researchers from Fafo (Norway), FAOS (Denmark), CIRRA/MIRRA (Iceland), CMR (Poland) and SOFI (Sweden).

